



REPORT
of the
Public Accounts Committee on the
Accounts

of

1923-24

Vol. II.—Evidence

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Evidence taken at the third meeting of the Public Accounts Committee held on the 7th August 1925 at 11 a.m.

PRESENT:

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN

Pt. HARKARAN NATH MISRA

Dr. K. G. LOHOKARE

Sardar V. N. MUTALIK

Mr. A. RANGASWAMI IYENGAR

Maulvi SYED MURTAZA Saheb Bahadur

Mr. M. WEBB

Members.

Mr. Jukes, Auditor General and Mr. Kaula, Accountant General, Central Revenues, were also present.

Watching progress of expenditure against grants.

1. *Chairman.*—Perhaps the Auditor General will kindly make a statement on the exact position at present of the question of having a set of rules to assist in watching the progress of expenditure against grants.

Mr. J. E. C. Jukes.—The actual position is this. The Auditor General had submitted a set of rules to the Finance Department in this connection. The Finance Department sent it round for opinions and sent it back to the Auditor General just after I took over charge. The position then was that very similar sets of rules had been in force for two years in two of the local Governments—the Punjab and the United Provinces. We had just received from the Punjab a report on the working of the rules. We had not yet received a report from the United Provinces, though we had called for it: but I had a certain amount of information on the working of the scheme in those provinces. In both cases the rules as they stood had not been entirely successful. The Accountant General, Punjab, has made a number of suggestions for altering the rules, the majority of which I shall certainly accept. But before actually addressing the Government of India on the subject, I thought it would be as well to get the results of the United Provinces experiment so that we could consider both reports together and see what changes in the rules they necessitated. As I knew that the Finance Department was anxious to get the file back in time to report to this Committee, I spoke to the Financial Secretary on the subject. I pointed out that, even if we did not proceed immediately with this particular experiment, we were meeting the wishes of the Committee by means of other experiments. I refer to the experiments which I myself have introduced in another capacity, which are largely aimed at the very object which the Committee desired to secure. One important object in separating audit from accounts is to ensure greater control over expenditure. We have met the

wishes of the Public Accounts Committee in a way by instituting a fairly extensive inquiry in the direction of securing this control, and it does not appear desirable to press on with the other scheme until the results of its working in the provinces have been fully examined.

2. *Mr. Rangaswami Iyengar*.—Do you think that after the two schemes come into operation control will be secured?

Mr. J. E. C. Jukes.—I am perfectly convinced that control will be increased enormously.

Hon'ble Mr. A. C. McWatters.—I am entirely in agreement with Mr. Jukes. I should like to see further progress with his experiment before the other scheme on the lines in the Punjab is brought into force.

3. *Chairman*.—I understand that we have got two or three different experiments. I suppose that the typical case where you would consider that we could secure a maximum control is in the very small office.

Mr. J. E. C. Jukes.—The typical cases of the small office are the experiments in Bangalore and Delhi Civil Administration. In each of those cases there is single treasury, and there is also a branch of the Imperial Bank. In both these cases we have absorbed the treasury into our pay and accounts office. We have converted the treasury officer into a pay and account officer who pre-audits, pays and brings to account every claim for money put in by the head of the administration. In the one case he makes payments by cheque and in the other by endorsement on bills : but in both cases we have all payments made and all the accounts kept practically under the roof of the head of the administration so that he can know from day to day exactly where he stands with regard to expenditure. Of course a certain number of charges are passed on from other provinces or departments, and he cannot get these in at once, but, so far as his own expenditure is concerned, he can know exactly how he stands.

4. *Mr. Rangaswami Iyengar*.—Does the Government of India Resolution refer to that kind of control?

Mr. J. E. C. Jukes.—That proposal is something entirely different. It requires the head of the Department to keep a duplicate set of accounts from which he will be able to watch his expenditure. My own personal view is that the duplication of accounts is always a waste of money. The charge brought against my experiments that they involve a duplication of audit did to a certain extent hold good, but my answer is that there is no question that up to a certain limit, the more audit you apply, the more money you

Desirability of having an inventory of Government property

5. *Chairman*.—Have you anything to say on this point?

Mr. J. E. C. Jukes.—At present I have nothing to add on this. It is a very big question, which has been under discussion in the Union also. I have asked the accounts officers to ascertain in consultation with local Governments how far the suggestion can be carried out, but I have not yet met with much success, especially in view of the English experience.

Mr. Rangaswami Iyengar.—We must remember that in India the amount of Government property must be very much larger than in

For instance, here you have quarters for Government officers, extensive public works.

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Evidence taken at the fourth meeting of the Public Accounts Committee held on the 8th August 1925 at 11 a.m.

PRESENT :

Sir BASIL BLACKETT, *Chairman*

Pt. HARKARAN NATH MISRA

Dr. K. G. LOHOKARE

Sardar V. N. MUTALIK

Mr. A. RANGASWAMI IYENGAR

Maulvi Syed MURTAZA Saheb Bahadur

Mr. M. WEBB

} *Members.*

Mr. Jukes, Auditor General and Mr. Kaula, Accountant General, Central Revenues, were also present.

6. *Chairman.*—It would be useful if Mr. Kaula could explain to the Committee the main points in the Report of the Auditor General into the possibility of improving Indian Appropriation Reports.

Mr. Kaula.—Two years ago the Public Accounts Committee made a suggestion to the Government that the Appropriation Reports should be examined. These reports were not sufficiently detailed and in other respects they were inadequate. It was suggested that they should be elaborated. The Auditor General promised to conduct an inquiry and the result of that inquiry is the report which is before the Members. This is the origin of the report.

7. *Chairman.*—Would you kindly make a general statement about the contents of the report indicating the lines on which you worked?

Mr. Kaula.—I was placed on special duty in connection with this work and I placed myself in touch with the authorities in England, and studied a great deal of literature on the subject. The result was that in many respects the Governor General suggested that the plan followed in England may be adopted. The results of it will be seen from paragraph 4 of the Report that this report has been divided into several parts for facility of reference. The first part deals with the majority of the proposals. Instead of placing the summary at the end, to report to this committee has been placed at the beginning so that your time may not be wasted. I pointed out that you may be able to see at once what the important proposals are. In the experiment, we had part the detailed description of the changes proposed is given. I have all the important points as well as the minor points have been given in another capacity, great detail. The position is this. In the Indian Legislative Committee desired to (52) it is laid down that this Committee will look into the audit accounts and to ensure that

and appropriation accounts once a year. In compliance with these Statutory rules the following procedure is adopted. Within 4 or 5 months of the expiry of the year, the Audit Department prepares the Audit Report. It is impossible to prepare the Appropriation Report at the same time, because the accounts of the year are not closed till about September or October and sometimes even later. Therefore, the Audit Department makes an attempt to present to Government at as early a stage as possible what is called the Audit Report which deals merely with such financial irregularities as have been settled at that stage, that is to say on which Government has passed final orders. Then later on, after the accounts of the year are closed, say in January or February, the Audit Department prepares the Appropriation Report. The Audit Report and the Appropriation Report together make up the Audit and Appropriation Reports which are referred to in the Auditor General's rules. One of the chief proposals is that the Audit Report should be broken up into two different sections—one section dealing with matter in which the Executive Government only is interested and the other section dealing with those matters of importance in which you, as representatives of the Legislature, are interested and which it is your duty to look into. That portion of the Audit report and the whole of the Appropriation Report as it is now called is to be amalgamated into a single set of audit and appropriation accounts as referred to in the Legislative Rules, and that is the document which is to be prepared hereafter. That is one of the principal changes which is suggested.

Another important change that is suggested is that there are at the present moment too many columns in the form of the appropriation account and several of these do not serve your purpose in the least, and it is proposed to reduce their number.

Another change which the Auditor General has suggested is this. This Appropriation report deals with Central Civil expenditure other than the expenditure on Posts and Telegraphs and Railways. A good deal of this expenditure is incurred in the provinces, and in the account which is presented to you at present, a separate account for each area is shown. First of all you are given a consolidated account showing the totals for each circle and then you have a separate account showing the details in respect of each of these areas. This is felt to be unnecessary. You should feel more interested in a consolidated account than in the account that is presented to you now. The figures for the provinces do not in all cases represent the figures for which the Local Governments are responsible. For instance, a pensioner, who is residing in the Punjab, may be a pensioner of the Bengal Government or he may be a pensioner of the Central Government, but his pension will be brought to account in the area where the treasury is situated from which he receives his pension. This presentation of the account really deprives you of what you are more interested in, because what you are interested in are the purposes for which the grants have been given by the Assembly and the purposes for which the money spent has been utilised. That you cannot get at fully under the present arrangement.

The irregularities connected with these accounts are presented to you in the Audit report, which is sent to you in advance. The appropriation

account is presented afterwards. As you have seen yourself, the irregularities of a particular type are all shown there whether or not they occurred in the year under report and whether or not they occur in any one Department. In England the procedure is different. There everything is presented as a part of the appropriation account concerned. Underneath the account there is the explanation which gives also particulars of the irregularities discovered in the course of audit of that account. There is an exception to that. At the beginning of the volume of appropriation accounts you have a report by the Comptroller and Auditor General, which brings out the more important and more serious points to which special attention might be devoted. When the Committee are examining say, the head of a particular department they are presented with a clear view of the transactions of that department and also of the method under which those transactions were administered by the department.

These are the more important points which this report deals with. There

Appendix IV. are a few minor points also, a list of which you will find in the memorandum which the

Finance Department has prepared for you. In England, in respect of the accounts of big works and big schemes and big objects of expenditure certain details are presented as part of the appropriation account. For instance, you have a big scheme of construction, which may cost lakhs of rupees. Such a scheme cannot be completed in a single year. The demand presented to the legislature shows the demand for a particular year. The whole scheme may cost 10 lakhs, but in the year with which you are concerned, sanction is given only for 2 lakhs. What has been spent previously on that scheme, how much has actually been spent and how much remains to be spent, is never presented to you. In England such a programme is presented. In India the sanctioned estimate shows merely expenditure on certain works. It does not show any details of these works. There are major works of which details are sometimes given; but there are other works of which full details are not given. You cannot exercise that function of yours which requires you to see that there is no deviation from the purposes of the scope of the grant unless you really know what the money has been spent on. For instance, you are told that so much money was spent on maintenance and repairs, or that there was so much expenditure on original works, or so much expenditure on conservation of ancient monuments. But you do not know further details. You do not know whether the programme was really adequately regulated and all that sort of thing. This you can have only if further details are presented to you as suggested by the Auditor General.

Then there is another class of expenditure of which you have very little details both in the estimates and in the appropriation accounts. In a commercial department Government may have to undertake some sort of manufacturing operations. You do not know how these things are being worked. You are merely told when the Demand is presented to the Assembly that so much money is required. At the end of the year in the appropriation account we may or we may not show to you how much we have spent. It depends entirely upon the classification of accounts. The details that you would like to know in the case of a commercial undertaking are the following. You would like to know how much is spent on the capital account; how much is spent on the revenue account; whether there is profit or loss or depreciation.

These are the details which an ordinary business man requires at the end of the year to be prepared by the inside auditor or by the outside auditor. Without these details nobody can form any idea as to the financial success of the undertaking. We suggest that you should, if you like, get some such details in consultation with the Finance Department.

Another important change that is suggested for your consideration is this. In the appropriation report only those expenditure heads of account are presented to you which are in the sanctioned accounts classification. There is a standard classification of accounts. First of all the expenditure accounts are divided into a number of major heads. That is the first division of expenditure. Then each major head is divided into a number of minor heads. But the number of these is limited. In some cases it happens that in an appropriation account there is only one single minor head. For instance, take Archaeology. Archaeology is a single minor head of a certain major head. The account that is presented to you shows only the total expenditure of that department. You really do not know how much is spent on contingencies, supplies and services, works, and so on. It is proposed that you should have for the purposes of the appropriation account a classification which is somewhat different from the minor head classification. But, as the Auditor General has pointed out to you, there must be a certain degree of relation between the Finance and Revenue accounts and the appropriation accounts. Any classification which is made for the purposes of the appropriation accounts must necessarily coincide with the classification which is adopted for the Finance and Revenue accounts, otherwise it is very difficult to present in the Finance and Revenue accounts such an account as will give to the people in England or to the people in India a clear and comparative idea of the transactions of the several Governments in India. Therefore the sub-heads of the appropriation accounts should be more or less on the same lines as the general accounts classification.

These are the main changes which the Auditor General has suggested.

8. *Mr. Iyengar.*—I want you to tell me, Mr. Kaula, whether it would not be useful in the present state of things for the Committee to have details either in the statement or in some table which would show the progress of expenditure as between province and province?

Mr. Kaula.—You have the information presented to you in two different places and in public documents. First of all in the demand which is presented to you in the Assembly you have the estimates of the next year and you also have the actuals of the past year, both in full detail.

9. *Chairman.*—Surely the proposal is that if you make this change in the appropriation account you must make corresponding changes in the estimate. It would therefore follow that you would no longer have the expenditure divided by the provinces.

Mr. Kaula.—The position is this. I should have said that whatever changes will be made in the appropriation account will necessarily be carried out in the estimates also. The proposal is that the Demand statement should be divided into three sections on the lines of the English procedure.

acc^{nt} of all you will be merely told in two or three lines the total amount that is required for the grant and the purpose for which it is required. The second section will be a sub-head showing the details of the total demand. The third section will be something like what you have at present.

Mr. Iyengar.—It seems to me that the presentation of these accounts by circles will also be necessary. The finances of the Central Government and the expenditure of the Central Government are not so thoroughly separate from the Provincial Governments.

Chairman.—I should say that a very large part of central expenditure is at present not under the control of the local Governments and is entirely independent of them. It is only in exceptional cases that the local Governments are our agents for the expenditure. I should say that at least nine-tenths of the expenditure shown by Circles has nothing whatever to do with the Provincial Governments. They have no control over it and the person who has control over it is the Central officer who himself is interested in these matters.

Mr. Jukes.—In cases where either the Public Accounts Committee or the Assembly want the details of any particular head there will be no difficulty in getting them.

10. *Mr. Iyengar.*—The next question I want to put is this. You have dealt with the rule as it at present stands and you now desire that the audit and appropriation accounts should be presented in one report instead of two reports as is the case now to the Public Accounts Committee. You have also said that there will be a separate audit report which you will make to the executive Government. May I know why this audit report should be only to the Executive Government?

Mr. Kaula.—They are too small items for this Committee to deal with but from the point of view of the Finance Department they may be of considerable importance.

11. *Mr. Iyengar.*—Take for instance the question of frauds and of disciplinary action?

Chairman.—Following the English practice, cases of fraud will come into the report. Part of the Audit Report that we were dealing with yesterday will be incorporated in the new combined appropriation report. The rest will remain an important report for administrative purposes.

Powers of re-appropriation.

Chairman.—When the proposal regarding sub-heads on the English model is introduced it will bring out very clearly any excesses over a sub-head and show at once whether there has been in that case reappropriation from another sub-head.

12. *Mr. Iyengar.*—The Public Accounts Committee has got the power to deal with reappropriation from one subject to another. It cannot be assumed that when the Executive Government appropriates money from one subject to another that matter ought to go without the sanction of this Committee?

Chairman.—On the contrary such a case will be brought before this Committee and an explanation given.

Pandit Harkaran Nath Misra.—Will this report which is to be submitted to the Executive Government be available to the members of the Public Accounts Committee in case they want to see it?

Chairman.—If any point was raised which was relevant to this report, I think the Finance Department will probably be only too glad to put it before the Public Accounts Committee. I do not think it will assist the members to have it as a matter of course. Our danger is that if we have too much material before us we cannot do our work quite as well as when we have smaller amount of material put before us in a clear form. In the latter case we get our criticisms concentrated and we are likely to have more useful results.

Mr. Lohokare.—Would the reappropriation cases be brought before the Public Accounts Committee every time?

Chairman.—There is no proposal to change the power of the Committee. The proposal is to enable it to exercise its power more effectively.

13. *Sardar Mutalik.*—I understand that Audit reports will not be presented to this Committee?

Mr. Jukes.—This particular document which we are going to call the audit report will not be presented to the Committee, because it will contain certain details with which it is considered that the Committee need not be bothered.

Mr. Kaula.—The report that will be presented to the Committee will contain every case of serious financial irregularity, fraud, defalcation, embezzlement, mismanagement and neglect to exercise proper financial control. Every case of extravagant expenditure which might require investigation will be mentioned there. We will also give explanations of the excesses and the savings and in these explanations we will also mention the irregularities and the novel features. Every deviation from the sanctioned grant in respect of a sub-head will necessitate an explanation and the explanation will bring out re-appropriation or other remedial action taken by the Government.

Chairman.—Take for example that a sum of 3 lakhs is voted under a particular head and that the sum actually spent is 3·5 lakhs. An explanation as to the excess will be given. You will have all the information as to how far under that particular head the directions of the Assembly were followed. Similarly if the expenditure is 2·5 lakhs and estimate was 3 lakhs, you will have an explanation why there was under-spending.

14. *Mr. Iyengar.*—Do you think that in order to carry out the purposes for which you are now re-arranging this appropriation report, it will be necessary to reclassify the grants into a larger number of grants?

Chairman.—I do not think that the question of elaboration of the number of grants is directly germane at the moment. Undoubtedly elaboration of grants may be necessary, but this is an entirely separate question.

Mr. Kaula.—May I express my view, Sir. A change in the number of grants is a thing which is not always desirable. There is much to be said for and against it. I suppose you would always like to proceed cautiously.

My suggestion would be that the new form of appropriation accounts will enable you to judge for yourselves whether or not you should change the number of grants and if you have any ideas on the subject, perhaps you might present them after the form has been accepted.

Evidence taken at the fifth meeting of the Public Accounts Committee held on the 10th August 1925 at 11 a.m.

PRESENT :

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN

Dr. K. G. LOHOKARE

Sirdar V. N. MUTALIK

Mr. A. RANGASWAMI IYENGAR

Maulvi SYED MURTAZA Saheb Bahadur

Mr. M. WEBB

Mr. H. G. COCKE

Mr. JUKES, Mr. RYAN and Mr. COBURN were also present.

} *Members.*

Keeping posts in abeyance.

15. *Chairman.*—Mr. Ryan, have you any statement to make on the policy of keeping appointments vacant instead of abolishing them on which the Accountant General comments ?

Mr. Ryan.—I will read a short note on that subject in answer to the questions raised in this paragraph and also in the note by the Auditor General :—

“ On the definite question raised in this paragraph it is agreed that whether appointments kept vacant are abolished or not, provision should not be made for them unless it has been decided by the competent authority to restore or re-fill them. The competent authority would normally be the authority which had ordered the appointment to be abolished or kept vacant ”.

Then the Auditor General raises the question whether the Budget should not in fact be prepared by the Director-General or the Financial Adviser and not by the Accountant General, as for that—

“ It is agreed that the preparation of the budget should devolve primarily on the Director-General. The work should of course be carried out in collaboration with the Financial Adviser and in consultation with the Accountant-General, Posts and Telegraphs. With this object in view a proposal for the formation of a separate budget section in the Director General’s office is already under consideration and it is anticipated that such a section will be in existence early next month when the work on the preparation of

next year's Budget Estimates is started. The scattered nature of the Director-General's establishments and the fact that the Accountant-General, Posts and Telegraphs has his headquarters in Calcutta are serious obstacles to correct budgeting but these will be removed when the whole of the Director-General's office and the office of the Accountant-General, Posts and Telegraphs are located in Delhi, which will be in winter after next."

I think that really covers every point raised in connection with this paragraph.

16. *Chairman*.—This paragraph raises also the particular question of the abolition of appointments?

Mr. Ryan.—We have discussed that and we have agreed that provision should not be made in the budget in future for any appointment, which is kept in abeyance or abolished. The objection has arisen because provision was made in the Budget mechanically by the Accountant-General's staff but that won't be done in future. The Budget will be prepared by the people who know what is intended.

Supposing no provision has been made in the Budget for appointments in abeyance and it is desired to revive such an appointment the primary question of the possibility of finding money by reappropriation within the powers of the Finance Department would be discussed; it might very probably have to come before the Standing Finance Committee for their concurrence—it would depend rather on the importance of the case.

Mr. Jukes.—The proposal is entirely satisfactory from my point of view. I have not the slightest wish to insist on the abolition of an appointment if no provision is made.

17. *Mr. Rangaswami Iyengar*.—There are specific rules, are there not, requiring the Secretary of State's sanction to the creation of appointments beyond a certain limit, and that therefore in each case the creation of a new appointment is entirely different from reviving it?

Mr. Jukes.—The Secretary of State has also required that, in any case in which his sanction is required to abolition, his sanction is also required to keeping it in abeyance.

Chairman.—I think the point is that if an appointment is held in abeyance, it should not be revived without the approval of the representative of the Finance Department.

Mr. Jukes.—I take it he would probably have agreed to its being held in abeyance in the first instance.

Mr. Ryan.—I should certainly hold that it should come before the Finance Department's representative before being restored if he had been consulted about it being kept in abeyance. If an appointment is held in abeyance, ordinarily no fresh sanction is required for reviving it.

18. *Chairman*.—The point is, ought it to be revived otherwise than by the Standing Finance Committee? Probably it ought not?

Mr. Iyengar.—Supposing it is proposed to revive this appointment by reappropriation, even then it will be better for it to be before the Standing Finance Committee.

Chairman.—I do not think we can go so far as to say that it must always go to the Standing Finance Committee. As a matter of fact after the introduction of the new form of appropriation accounts the sub-heads will go a long way to help, because they will help to bring out the facts more clearly.

19. *Sardar Mutalik.*—May I know whether it will be competent for this Committee to make a general recommendation on these points in regard to other Departments also ?

Chairman.—What sort of recommendation do you want to make ?

Sardar Mutalik.—There should be no grant for an office in abeyance.

Chairman.—I think that is perfectly right. Provision should not be made in an estimate for an office in abeyance.

Mr. Jukes.—There is a certain danger. If you are going to tie down the administrative authorities too much as to restoring posts held in abeyance, they would not hold the posts in abeyance.

Chairman.—Appointments can be held in abeyance as an experiment. I think you must trust the Finance Department.

Sardar Mutalik.—I suggest that the reserve of the Finance Department may be increased if any post is held in abeyance.

Chairman.—I do not want to bring in the reserve of the Finance Department here. The better safeguard would be that if a post held in abeyance is to be restored, the Department concerned should go to the Assembly for a supplementary estimate.

Mr. Jukes.—I suggest a solution. The experiment for the present, in the first year, at any rate, of trusting the representative of the Finance Department in the Posts and Telegraph Department to see that things which should be referred to the Standing Finance Committee are referred to them may be tried and the report of the year will shew the results. Increase of expenditure in regard to restoration of posts in abeyance will be brought clearly out in the report. You will then be able to see perfectly clearly in what way the representative of the Finance Department has exercised his trust. If this Committee then wants to fetter him in any way, they will have all the facts before them and be able to suggest a line which should be followed.

Sardar Mutalik.—We have in any case to trust the Finance Department.

Mr. Jukes.—You must give the Finance Department a great deal of discretion. What comes before this Committee is very largely due to the use of the discretion of the Finance Department.

Exhibition of Stores Balances at their correct value.

20. *Chairman.*—Mr. Ryan, have you anything to say on this point?

A.—The difficulty arose here because there was not enough provision in the budget for writing down, to the full extent desirable, the value of certain unserviceable stores. We have discussed this with the Director General. The views of the Accountant General, Posts and Telegraphs, are accepted. It is only in cases in which the re-valuation of stocks would be likely to have a very serious disturbing effect on the finances of the Department that such re-valuation should be postponed or spread over a number of years. This exception can hardly occur in the case of telegraph stores, the total book value of which is little over Rs. 1 crore. We have really accepted in full the argument of the Accountant-General here.

21. *Chairman.*—It is a very serious irregularity. There is no suggestion of disciplinary action here. Have steps been taken to prevent a recurrence of such things?

A.—Yes. We have accepted the Accountant-General's views in full.

22. *Chairman.*—Any remarks on this, Mr. Jukes?

Mr. Jukes.—This particular irregularity is not peculiar to the Posts and Telegraphs Department. When we come to the Railways, I think we shall find certain examples of the same kind. What it means is that the administrative authorities have paid more attention really to keeping within the grant given to them by the Assembly than to bringing their accounts into line with facts. That is what has happened in some cases. Finding the money at their disposal was limited, they have not written down the value of the stores.

23. *Chairman.*—This is a recognised thing on Railways.

Mr. Jukes.—I was going to say that there must be cases in which that must happen. If you have got very serious depreciation which is going to involve very heavy charges, naturally it is not all shewn in a single year. In this particular case what happened was they wrote down the full value, then they discovered that they had not got the money. The Accountant-General's view, which I entirely endorse, is that the proper course is to write down the value in full and then go to the Assembly, if necessary, for more grant.

Chairman.—It is a general question and the explanation of Mr. Ryan is that the Accountant-General has made certain proposals which will make the position satisfactory in future.

Mr. Jukes.—Yes.

24. *Chairman.*—Have you any remarks on paragraph 7? There is this statement. "Further, Working Expenses do not at present comprise every thing which is properly chargeable in a commercial account."

Mr. Ryan.—That is right; the position would be quite different in the report for this year.

25. *Chairman*.—Have you any remarks to make about paragraph 8 ?

A.—I have no statement to make except to emphasise the cautions in paragraph 10 at page 7 referring to the whole thing. You cannot really regard this as a profit and loss account.

26. *Chairman*.—*Q*.—We come to paragraph 10. On that, have you a statement, Mr. Ryan ?

A.—No, Sir. The paragraph speaks for itself. I only wanted to draw special attention to it.

27. All these things are being put more into order by commercial accounting ?

A.—Yes.

28. *Dr. Lohokare*.—Is there a list of post office buildings ?

Mr. Jukes.—Yes, the block account.

Mr. Ryan.—It is not complete yet. A great deal of attention is being paid to it. The history of a lot of the buildings is very obscure, and in some cases we do not know who they really belong to.

29. *Q*.—Do you expect to get it completed within a year or so ?

A.—Yes.

Mr. Coburn.—It has been promised this month.

30. *Mr. Cocke*.—Many of the defects mentioned will be rectified in the following year, for instance 10 (a) ?

Mr. Ryan.—Yes.

31. *Chairman*.—Paragraph 12. Have you anything to say on this, Mr. Ryan ?

A.—I have got nothing to volunteer until we come to paragraph 17.

32. *Q*.—The Accountant-General says : “ While the working expenses are more likely to increase unless there is some drastic modification of policy there must be a very definite revival of trade before any considerable increase in the earnings from telegrams can be expected.” Does it mean that some drastic modification of policy is called for ?

Mr. Jukes.—Paragraph 17 suggests a possible one.

Mr. Ryan.—I think the recommendations of the Posts and Telegraphs Committee, which reported about 4 or 5 months ago, will lead to some large savings on the telegraph side of the Department. Unfortunately they cannot all be made at once. I think we will be employing cheaper staff. These recommendations are however hardly questions of policy but of management.

33. *Chairman. Q*.—The recommendation of the Ryan Committee will come up as a general question ?

A.—They will come up before the Advisory Committee of the Department of Industries and Labour by whom they have not yet been examined.

34. *Q.*—What sort of drastic modification of policy do you contemplate ?

A.—I do not think any important modification of policy is really possible, Sir.' There are various modifications possible in the actual staffing arrangements and other minor things.

35. *Chairman.*—If you think a modification of policy is not really possible, what other modifications are possible ?

Mr. Ryan.—In matter of the actual staffing arrangements for example, we might do away with a number of separate telegraph offices and have more combined post and telegraph offices and things of that kind. I do not think there is any expectation of a modification of policy.

36. *Dr. Lohokare.*—Is any reduction expected in the Indo-European Telegraph Department ?

Mr. Ryan.—That is quite a different question.

Mr. Rangaswamy Iyengar.—I would suggest, Sir, that this Committee might endorse a modification of policy in so far as it leads to the question of reducing the expenditure of the Telegraph Department by a reorganization of the establishment.

Chairman.—I do not think we are in a position to go very far. We might say that we understand that a Committee has been inquiring into the working expenses of the Post and Telegraph Department and we trust that the necessity for every effort to secure important economies in working expenses will continue to be observed.

Mr. Iyengar.—I would emphasize the Telegraph Department particularly.

Mr. Jukes.—It is just possible that Mr. McKernan may be able to tell us what Mr. Badenoch had in mind. He might possibly know what are the changes of policy which he had in mind.

Mr. Ryan.—I do not think he will or that the Accountant-General had in mind any specific proposals affecting important matters of policy.

37. *Chairman.*—How is the expenditure of the Telegraph Department affected by the substitution of radio messages ?

Mr. Ryan.—I cannot give an answer off-hand. I think there is a considerable loss worked out in our actual figures.

Chairman.—I think we might ask the Director-General to give us some information about the working of the radio system.

Mr. Rangaswamy Iyengar.—Last year's Public Accounts Committee wanted the Department to examine the effect of the postal rates.

Chairman.—We will examine the Director-General on that.

38. *Chairman.*—What are your views on Press telegraph rates, Mr. Ryan ?

Mr. Ryan.—This matter has been discussed. It was also raised in the Departmental Committee's work. We thought it was worth drawing attention to but we did not suggest that Government should necessarily alter the rates.

The question of enhancing the rates for press messages has been considered in connection with the report of the Posts and Telegraphs Department Committee and it has been decided to make no change for the present. It was ascertained that the British Post Office concessions in the matter of press telegrams are when compared with the public tariff, practically equivalent to the Indian concessions. An enhancement of rates would cause a great outcry in India and there can be no question that it would result in a prompt falling off in the volume of such traffic. Consequently the increased revenue alluded to in the Report would certainly not materialise to anything like the extent indicated. For instance head (1) on page 10 shows that we would have had an improvement of 50 lakhs if we had charged the public rates. But telegrams would not have been sent to anything like the same extent.

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39. *Chairman.*—Q.—Is it possible that Telephones will be soon working at a profit?

Mr. Ryan.—It is impossible at the present moment confidently to say whether telephones were working at a profit because the accounts we have of the telephone business are somewhat unreliable. There were no separate accounts until quite recently and they have made out a sort of *pro forma* account which I do not think anybody believes in that shows a small profit.

40 *Mr. Iyengar.*—It was rather bold to have said that “the Telephone Branch will soon be self-supporting.”

41. *Chairman.*—Your telephone branch accounts are still unsatisfactory, Mr. Ryan?

Mr. Ryan.—They are unsatisfactory at present, Sir. The whole question of separating the expenditure between Telephones, Telegraphs and Posts is now being threshed out. The telephone accounts hitherto made up have not been published. It is a question of allocating the salaries and wages of particular people between the two. The capital figures regarding some of the telephone systems have not been very accurately worked out. It is now being done in connection with the block account. The receipts from telephones are known at present.

42. *Chairman.*—Are steps taken to see that the use of telephones in Government buildings is reasonably economical, for instance do you check calls between Delhi and Simla?

Mr. Ryan.—I do not think that any check is possible with the existing automatic system so far as local calls are concerned.

43. *Mr. Iyengar.*—Have you considered the adaptation of the measured rate system for public offices? It is being tried in Bengal and is being found successful in Bengal and Madras?

Mr. Ryan.—I do not think much is known yet about its success or otherwise. Possibly the Director-General could tell you more.

Syed Murtaza Sahib.—So far as Madras is concerned, the measured rate system is I think working satisfactorily.

44. *Sar'ar Mutalik*.—May I know what steps are being taken to put the Indo-European Telegraphs under the Government of India?

Mr. Ryan.—This question has been under correspondence between the Government of India and the Secretary of State for some time. The present position is that the Secretary of State has not so far shown any desire to let the Government of India resume control. On the other hand the feeling of the Government of India at present is I think rather in favour of possibly transferring control directly to India or failing that to the High Commissioner. I went into the question of the finances of the Indo-European Department a short time ago and an *ad interim* report was written. The principal facts brought out are that we do not know enough here in India about the revenue side of the account. We know quite a great deal nearly all that is necessary, about the capital side and commitments and arrangements for recovery of certain expenditure on account of Persia—we do not know enough about the revenue side or its prospects. Mr. Badenoch has been given a full note on this subject and he promised that when he got to England he would go into the whole matter with the Director-in-Chief and supplement our information. When he has done so (we should get his report, probably within a month) we should be able to put up a complete statement of the financial state and prospects of this Department. As to the Persian part, I feel doubtful whether anything will come of the proposal to dispose of the property to others. Personally I do not see why the Director-in-Chief should not be at Karachi. The real trouble is that this Department works in close collaboration with Companies which have their headquarters in London, and that is why the Director-in-Chief has been put in in England. I am disposed to think that a competent liaison officer in London would meet the case. We cannot pursue this question till we get Mr. Badenoch's Report. The whole matter is in train, Mr. Badenoch's Report is expected to be in soon, probably within a month.

45. *Sar'ar Mutalik*.—Is there any likelihood of the whole question being settled soon?

A.—The Government of India will have to review the question in the light of the full information, and will then have to formulate their views and address the Secretary of State. I am not very optimistic of all that happening in a few weeks. The matter is being pressed as far as possible and we know far more about the system now than we did before.

Chairman.—We trust the matter will be pressed to a speedy conclusion.

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46. *Chairman*.—Paragraph 28. The question of splitting up the Indian Posts and Telegraphs vote was discussed by the Public Accounts Committee last year, and in view of the process of commercialisation to which the account of the Department was being subjected, it was decided to postpone the consideration of the question.

A.—I do not think it is possible to pursue this question until the accounts have really been commercialised and the division of expenditure between the different departments is more or less crystallised. If you had a separate

vote for Posts, Telegraphs and Telephones at present, I think it would involve frightful confusion as so much of the expenditure of the Department is common to two or all three branches.

47. Q.—40 per cent. of expenditure can be debited to one head and 60 to another.

A.—You might make an arbitrary division, but the thing is being worked much more precisely.

Dr. Lohokare.—The independent telegraph offices may have a separate account and the combined telegraph offices a separate account.

Mr. Jukes.—There is the trouble of distributing overhead charges.

Chairman.—I do not think it will solve the difficulty.

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48. *Chairman.*—There is an excess of over 2 lakhs under Post Office Contingencies.

Mr. Ryan.—I will read a note on this.

" This excess of Rs. 2 lakhs, to the extent of Rs. 1,05,000 is accounted for as follows :—

" The Accountant General, Posts and Telegraphs, in consultation with the Auditor General introduced a change in the system of classifying expenditure on liveries and uniforms during the course of the year with a view to debiting such charges against the post offices concerned. The change was not reported at the time to the Director General, Posts and Telegraphs and the necessity for a re-appropriation of grants so as to bring the Budget provision into conformity with the new arrangements was thus overlooked."

So far as just half of this excess is concerned, it was thus really due to want of touch between the Accountant General and the Director General.

" As regards the balance of the excess, it may be pointed out that the Budget provision for contingencies in 1923-24 is approximately 20 per cent. less than that in 1922-23 and spending officers no doubt experienced some difficulty in effecting the retrenchments that this contraction of their grants necessitated. Nevertheless it must be admitted that it is due to some extent to failure to exercise proper control over this class of expenditure. A copy of a circular letter designed to ensure better control over expenditure, particularly that of a fluctuating nature, is submitted."

That letter is rather long. It is an important matter and it really applies to a great deal of the subsequent comments in this report. If the Committee likes, I will read it out. It deals with the whole question of control of expenditure in the Department.

49. *Chairman.*—It would be useful to read it out.

A.—This is a letter drafted in consultation with the Director General and issued by him on the 25th of May last to the heads of all Branches,

(Witness read the letter, copy of which is printed as Appendix XVI.

Chairman.—It would be useful to have it in our proceedings.

Mr. Jukes.—Is there any provision at all for the reconciliation of the accounts which are going to be sent by your officers with the accounts kept by the Accountant General?

Mr. Ryan.—Yes, this will receive special attention. It is rather experimental of course.

Mr. Jukes.—There is a difficulty which has arisen elsewhere and I was wondering how you are going to do it. Are you sending the accounts to the Accountant General?

Mr. Ryan.—I do not know whether the actual extent to which the Accountant General will furnish details to these officers has been fully threshed out. It is a matter under discussion with the Accountant General.

Mr. Jukes.—Supposing your accounts, which come up from circle officers, are not accurate and do not agree with the Accountant General's books, is there any means of detecting the discrepancy in time?

Mr. Ryan.—It depends on the practical use to which statements are put by the Financial Adviser. He will also have the consolidated figure from the Accountant General.

Mr. Jukes.—Supposing the two figures differ, what are you going to do?

Mr. Ryan.—I cannot answer that at once.

Mr. Jukes.—It is rather an important question which requires attention?

Mr. Ryan.—It is, of course but we must settle it in the light of practical experience.

Mr. Jukes.—If you have a man guiding his expenditure in the light of accounts, which are subsequently found to be incorrect, you do not get very much further?

Mr. Ryan.—This will in fact come up as soon as we get these statements. They have not yet begun to come in.

50. *Chairman.*—The general upshot is that considerable steps have been taken with a view to introduce much closer control over expenditure?

A.—Yes. Throughout this report that must be our answer to a good many criticisms. There was not really effective control over the progress of expenditure in 1923-24.

51. *Page 16. Sardar Mutalik.*—There is one point with regard to page 16. There is always a tendency of asking for more money than they are able to spend and here again the Telegraph Branch have shown a tendency to overestimate their spending capacity.

Mr. Ryan.—We admit at once that the budgeting was bad—that is really the true answer to this. A small portion of the savings mentioned in

that paragraph I think was due to certain credits being received and also to non-compliance with indents during the year. In the main it is admitted that the lapses were due to defective estimating and inadequate information regarding the progress of expenditure. It is agreed that the estimating was defective, and it is a matter which we hope to put right especially now that the budgeting will be done in the Director General's office. It is also true that the estimating has not been as careful as it might have been even under revenue.

52. *Sardar Mutalik*.—The estimates were put in on a rough basis?

Mr. Ryan.—It has been too rough in a great many cases. It has been threshed out rather exhaustively with the Director General recently and we have agreed with him that something more can be done. I think the question comes up very prominently under the capital grant.

Chairman.—We might leave it alone at present.

53. *Mr. Jukes*.—With regard to the comment in my forwarding letter, are any steps being taken as suggested there?

A.—Yes, this is being done.

Chairman.—Have you any comments on the alleged tendency of the Department to overestimate requirements.

Mr. Ryan.—The fact is that the programme of capital expenditure was only roughly worked out and has not I think in the past been scrutinised very closely either on behalf of Finance Department or on behalf of the Department of Industries and Labour as is desirable. The Hon'ble Member, Industries and Labour has discussed this with the Director General and Financial Adviser, and it is agreed that we cannot reasonably expect actual detailed estimates to be ready for everything at the time the budget is being prepared, but we have made definite arrangements to ensure that the programme is a carefully considered one and that reasonably approximate abstract estimates for everything of any magnitude will be forthcoming. There is no question that the capital programme for next year will be a fully considered one, which could not be said of the past budgets.

54. *Chairman*.—Does that imply that it is intended to include in the budget only such works as have actually been sanctioned?

Mr. Ryan.—Certainly only such as have been specifically considered and approved, at least on abstract estimates, properly worked out with reference to the local rates and so on. It is recognized that we cannot yet approach absolute perfection. The position will be substantially satisfactory next year. You must of course always allow some provision for unforeseen works—for instance, on the railway side the figures are much larger. There must be some provision for unforeseen contingencies and some provision especially for lump sum minor works. But the great bulk of the estimates should certainly in my opinion, be based on detailed figures.

55. *Chairman*.—The question is that your Budget estimates would be prepared on detailed estimates of major works *plus* provision for unforeseen works *plus* provision for minor works?

Mr. Ryan.—I think there should be reasonable provision for unforeseen works in a big Department like this. I may perhaps do an injustice to the present Director General, but in my opinion provision has existed to an undue extent for illconsidered works which on a fuller consideration might not have been approved at all. We have discussed the question with him at some length.

Mr. Jukes.—Will that fit in with the new responsibility of the Finance Department of taking it upon itself to refuse to make provision in the Budget for any scheme which has not been examined by the Finance Department? Would you go beyond the rules of the Finance Department?

Mr. Ryan.—We have got to admit the necessity for a moderate provision for unforeseen works.

56. *Mr. Iyengar.*—Is not the control of the finances of the whole department too much for one man?

Mr. Ryan.—I do not see why it should be too much for one man, if it is properly organised. After all one man is responsible for the finances of India ultimately.

57. *Chairman.*—These reappropriations from one grant to another: surely they are not even legal?

Mr. Jukes.—I will explain the position. It was a misunderstanding of the Accountant General and to my mind a reasonable misunderstanding. Under the Legislative Rules reappropriations from one grant to another are required to be brought to the notice of the Assembly. There is no provision anywhere in the statutory rules forbidding such reappropriations. The A. G. assumed that the Finance Department had the power and, if the Finance Department liked to exercise it, the Finance Department might do so, but after he had accepted the reappropriations he received a circular letter from the Finance Department in which I understand it was specifically stated by the Finance Department that they did not propose to exercise this power and they considered it as not within their power. Finance Department say they do not want or propose to sanction such reappropriation.

58. *Mr. Iyengar.*—We are still in some difficulty. According to the rule it is the duty of this Committee to bring to notice every reappropriation from one grant to another. Did the Accountant General think that it was the duty of the Finance Department to do that?

Mr. Jukes.—No. The Accountant General understood from that specific duty being in the rules that someone had power to make such reappropriations; he supposed that it was the Finance Department which actually had the power. As the rule is worded, it does suggest the possibility. I may mention that I was originally requested to draft a set of rules for procedure with regard to the Budget, which the Legislative Department were going to split up, over the several set, of relevant rules and I actually put in a rule forbidding such re-appropriation. The Legislative Department said that there was no place in which they could properly insert that rule. Therefore they omitted that provision and merely prescribed that such things should be brought

before the Public Accounts Committee. They said that there was no place in which they could put in a rule forbidding such re-appropriations.

Mr. Ryan.—It should be mentioned that the mistake which occurred in the Finance Department was actually made by the Financial Adviser. If it had been referred to the ordinary departmental officers, it would not have occurred as they understood the position more clearly.

Chairman.—There was really no necessity for any reappropriation as there were savings within Grant No. 10 sufficient to cover these re-appropriations.

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59. *Sardar Mutalik.*—There are many cases where in spite of the fact that the original grant was sufficient, supplementary demand has been made for example, Page 24,

Chairman.—Have you any observation on that ?

A.—That sort of thing appears throughout the report. The truth is that under various heads towards the latter part of the year it was anticipated that further funds would be required, and in the absence of proper information as to whether the money could be re-appropriated from another head, they went up to the Assembly for additional grants and got them. In some cases they got the grant so late that they could not spend it.

60. *Sardar Mutalik.*—The expenditure should have been foreseen. Look at page 26, I (b). The original grant was Rs. 4,33,330 and the actual expenditure Rs. 4,15,547. That is you were likely to get on with the original grant and all the same you asked for an additional grant of Rs. 25,780.

Mr. Jukes.—It is not an additional grant, but a re-appropriation.

61. *Chairman.*—Let us take the Explanations on page 28. These explanations refer to pages 26 and 27. Take the first head Control—I Direction. Pay of officers—There is an excess here of Rs. 8,000 and it is explained that provision was not made in the Revised Grant for leave allowance. There was an actual excess of Rs. 44,000 over the original vote by the Assembly. Mr. Jukes, I suppose when we come to the appropriation accounts in the new form, the explanation should be not for an excess of Rs. 8,000, but for an excess of Rs. 44,000. Has Mr. Ryan any explanation of the excess ?

A.—I have nothing with regard to (a) (on page 28), except what the Accountant-General himself says, Sir.

62. *Q.*—*Prima facie* we want an explanation of the excess of Rs. 44,000 in a vote of Rs. 1,64,000. I see from the note on page 26 that a re-appropriation of Rs. 28,000 was sanctioned in the very beginning of the year.

A.—I have not got the actual explanation for that. Would you like me to submit it subsequently, Sir ?

Chairman.—Yes. * * * * *

63. *Chairman.*—Have you any explanation of the excess under P. and D. offices, Post office—Pay of permanent establishment on page 32.

Mr. Ryan.—I believe this was due among other things to cases of revision of pay, and it was not really known when the estimate was prepared what the claim ultimately would be. There have been a great many revisions in the last couple of years of pay and terms of service and it is not always possible to know exactly what their outcome will be when making estimates ; the same is the case in connection with compensatory allowance in various places.

64. Q.—With regard to head I (d) on page 34 was there any reduction in the rate of travelling allowance, or was it due to the fact that the travelling was curtailed.

A.—I do not think there was any reduction in the rates ; I think it was due to the cutting down of travelling in the Department.

65. *Chairman.*—What explanation can you give regarding the point in the Auditor General's forwarding letter.

Mr. Ryan.—You are now speaking of head 5 (f) on page 33. The Auditor General observed that the additional provision was apparently unnecessary. That inference is not quite correct.

The additional provision was needed and could have been usefully spent. The need for additional funds was recognised nearly six months before the end of the financial year. Unfortunately however much time was lost in discussing the possibility of meeting it by reappropriation or alternatively of the need for an additional grant.

In the result no definite decision was reached until the 6th February when it was decided to deal with the question of a supplementary grant in connection with the revised estimates and meanwhile to authorise work proceeding in anticipation of the additional provision. Orders issued accordingly on the 8th February but it was already too late for the work to be done before the end of the official year.

It is realised now that in such cases if it is really necessary for the work to be done in the current year, then the responsibility for authorising this to be done in anticipation of the allotment of funds (when such responsibility is undertaken at all) should be taken more quickly. At the same time we hope that the recent introduction of better means of control over expenditure as compared with allotments will make it easier in future to deal with questions of reappropriation and to know from what heads reappropriation may be possible.

Mr. Jukes.—The thing is that it comes under another category—late provision of funds.

Mr. Ryan.—If it were really necessary to give an additional grant, funds could not have been provided except at the very end of the year by vote. I think the only possible thing to do is to anticipate the provision of funds.

66. *Sardar Mutalik.*—Will you refer to the explanation under 4—reduction of 20,000 ?

Mr. Ryan.—There is a little more to be said. The Finance Department when we were considering the revised budget estimates ordered a lump sum

tut of 9 lakhs and actually there was no time for real consultation between the Director General in Delhi and the Accountant General in Calcutta and the Accountant General made a more or less arbitrary cut of 7 lakhs. This reduction of Rs. 20,000 was not really justified.

67. *Chairman.*—In pages 36 and 37, under the head stores there is an actual overspending as compared with the original estimates of very nearly 3 lakhs ; the reappropriation was not sufficient to cover it. Have you any explanation of that ?

Mr. Ryan.—The fact is in going through these things we have only really taken up the comments made either by the Accountant General himself or the Auditor General where they seemed to call for any further reply.

68. *Chairman.*—We want to emphasise this. What we are interested in is the comparison of the actual expenditure with the amount voted by the Assembly, whether original or supplemental.

A.—I will make a note of it. There is 50 per cent. increase in this. I do not know if the Committee would like an explanation—a general explanation for the departure from the original grant.

Chairman.—Yes.

69. *Dr. Lohokare.*—Can we expect any note on the difference from the grant ?

Chairman.—Yes.

70. *Chairman.*—There appears to be considerable excess under Departmental Presses (stores) [page 38 III (4)].

A.—The excess in question appears to have arisen from a mis-classification of charges as between this head and (5) Contingencies. There is a saving on the two heads combined. The distribution of charges between these two heads is being examined and necessary instructions will be issued to obviate confusion in future.

71. Q.—The last two sentences of the paragraph *re* Printing Government Presses in page 38 seem to require explanation.

A.—I referred this to the Controller of Stationery and Printing. He explains that the omission to intimate credits due in respect of 1923-24 in time for adjustment in that year's accounts was due to an error. A sum of approximately Rs. 60,000 representing arrear charges of 1923-24 has been adjusted in the accounts of 1924-25. Steps have now been taken by the Controller of Printing, Stationery and Stamps to stop the recurrence of such post debits.

Chairman.—We took up this question of stationery in the Public Accounts Committee two years ago and I think we have good reason to hope that the difficulties will be overcome this year.

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Chairman.—Mr. Coburn will put in an explanation in regard to the excess on page 39, Nos. 1 to 4 .

72. *Dr. Lohokare.*—Page 40. There is item under V, special train hire.

Chairman.—There is an explanation for that on page 41. This was explained to the Standing Finance Committee, the justification being loss of revenue.

73. *Chairman.*—*Page 41. VI. Expenditure in England.*—I would like to have an explanation on this item.

A.—I will read a note on this.

When the budget for 1923-24, was under preparation the question of the payment to be made as India's contribution towards the P. and O. subsidy was under discussion and the latest advices from the India Office indicated that nothing would be due from India on that account in 1923-24. No provision therefore was made in the budget. It was subsequently intimated in August 1923 that India's contribution would be £22,000 a year from the 1st April 1923 for the period of the current contract with the P. and O. Company. Rs. 3,20,000 was accordingly provided in the Revised Estimates.

74. *Chairman.*—Pages 42 and 43. Here again there is overspending compared with the original grant by nearly Rs. 5½ lakhs. You have no explanation, Mr. Ryan?

A. No, Sir.

75. *Q.*—It occurred mainly under maintenance of buildings and telegraph lines.

A.—It is simply due to the over-optimism of the Engineering Branch. I have not got the explanation. I can get it. I will put up a note on that.

76. *Q.*—The Auditor General invites attention to Note No. (4) on page 43.

A.—I will read a note on that:—

" Of the total excess of Rs. 93,269, a sum of Rs. 60,700 represents an accounts adjustment made at the end of the year by the Accountant-General, Posts and Telegraphs, on account of rebate allowed to railway companies in respect of free passes supplied by them to telegraph line maintenance establishments. The fact that such rebates are adjustable to this head was not known to the Director-General's office and therefore not provided for in the estimates prepared by them. A portion (Rs. 8,000) of the balance of the excess appears to be due to the erroneous classification of allowance for probationers to this head, as explained on page 28. The abnormal conditions as explained by the Accountant-General also contributed to the excess."

I have not been able to ascertain quite why the Director General did not know from previous experience that these rebates will be adjusted in this way.

77. *Q.*—We had better ask the Director-General to give us information on this point.

A.—It will take time, as reference will have to be made to Calcutta. We will send in a written note.

78. *Q.*—*Page 43 Item (5). Excess has occurred under "Liveries and Uniforms" and "Miscellaneous contingencies."* It is a question of control?

A.—I am afraid it is only absence of proper control.

79. *Q.*—Page 44. The Auditor General has a note. III. Under what circumstances was the debit not raised?

A.—I have got a long note from the Controller of Printing, Stationery and Stamps, the gist of which is simply that there was a mistake in his office. I shall read it:—

“ In the Government of India, Commerce Department letter . . . it was first ordered that the Post Office is to be debited with a share of the cost of this office establishment, etc. The Accountant General, Central Revenues was enquired as to how this debit was to be passed. His directions were that the expenditure should be adjusted in India books and a statement of cost should be furnished to him at the close of the year.

“ An estimate of expenditure was submitted to the D. G. P. and T. and a copy thereof was sent to the A. G. C. R. as usual on 14th November 1922. But the statement of actual cost incurred during the year was not actually sent, through oversight, till 7th January 1925 as this was the first statement of the kind and D. G. P. and T. had never communicated any figures before this.

“ On the 7th December 1924 the A. G. C. R. enquired if the figures shown by the D. G. P. and T.; as recoverable from that Department in the Revised Estimate for 1923-24 is correct. In our wire dated 17th December 1924 we confirmed the instructions of the D. G. P. and T.; subsequently an explanatory letter was issued on 7th January 1925.

“ As the debit was raised for the first time the position, it is regretted, was not clear at the end of 1923-24, and the detailed statement was delayed.”

They simply failed to send the details which they should have sent.

Chairman.—The explanation is not very satisfactory.

80. *Sardar Mutalik.* (*Pages 46 and 47*).—There appears to be only one workshop—that in Calcutta for sending goods to different parts.

Mr. Ryan.—The duplication of workshop establishments would probably involve considerable excess expenditure. There is a workshop at Aligarh also which makes locks post boxes, date stamps, etc., but the telegraph workshop is in Alipore. What they manufacture is sent all over India, but of course a great deal of what is used in the Department is not manufactured in these workshops; it is either bought locally or imported.

81. *Dr. Lohokare.*—What is the comparative cost of stores manufactured here and stores purchased locally?

Mr. Ryan.—Generally speaking, they only manufacture what they can manufacture economically ; of course a large part of their work is not manufacture but repairs.

(Page 47).—I should mention in that connection that the D. G., who was lately Chief Engineer, lays special stress on his inability to obtain certain essential stores in time and on the shortage of the subordinate staff. No doubt that did account for some inability to work up to the capital programme, but the principal point I think is that which we have already discussed about their bad budgetting.

Chairman.—We had better examine the Director General on that.

The Committee then adjourned till Wednesday morning.

Evidence taken at the sixth meeting of the Public Accounts Committee held on the 12th August 1925 at 11 a.m.

PRESENT.

SIR BASIL BLACKETT, *Chairman.*

DR. K. G. LOHOKARE.

SIRDAR V. N. MOTALIK

MR. A. RANGASWAMI IYENGAR

MAULVI SYED MURTAZA SAHEB BAHAJADUR

MR. M. WEBB

MR. H. G. COCKE

} Members.

Mr. Jukes, Auditor General, Mr. McKernan (Accountant-General, Posts and Telegraphs), Mr. Ryan and Mr. Coburn, were also present.

Mr. G. P. Roy, Director General of Posts and Telegraphs, was called in and examined.

82. *Chairman.*—In paragraph 12, page 8, of the Appropriation Report attention is drawn to the loss on Telegraphs due to the Radio systems which, it is said, though a necessary part of any modern Posts and Telegraphs Department, are working at a loss. The Committee desires to ask you in regard to the working of the Radio system, first of all, what the explanation is of the fact that they are working at a loss.

Mr. G. P. Roy.—May I read my note on the point, Sir ? The Wireless stations of this Department come under two classifications according to the services they perform, namely,

(a) coast stations for communicating with ships at sea. These are maintained and worked according to the rules of the Interna-

tional Radio Telegraph Convention and the International Convention for the safety of life at sea.

- (b) inland stations which form an adjunct to the inland telegraph system of the country.

With regard to the coast stations which the Government of India are obliged to maintain to meet their obligations under the above-mentioned International Conventions it would not be possible entirely to segregate the amount of their earnings from the general telegraph revenues. The revenue accruing to the Department from coast stations comes under two heads:—(a) coast station charges, (b) land line charges. The whole of (a) is assigned to them and they are also entitled to a share of (b). To determine with any accuracy the correct proportion of (b) that should be credited to them would necessitate the maintenance of a very elaborate system of allocation which is at present impracticable. A rough examination of the statistics for 1923-24 indicates that these stations worked at a loss of approximately 2 lakhs during that year. With the installation of more up-to-date plant now under contemplation it is anticipated that they will eventually pay their way. In considering this question, however, due regard must be given to the immense public services rendered by these stations in broad-casting for the use of mariners of weather reports and information regarding dangers to navigation the receipts from which do not by any means cover the expenses incurred in carrying them out. Work in connection with the safety of life at sea such as handling distress calls and listening for them is carried out free of charge. The same applies to time signals and the League of Nations epidemiological messages. It will, therefore, be seen that the coast stations perform services in addition to carrying traffic which although unremunerative as far as cash earnings go are of such a nature that their value cannot be estimated in money. In fact, these services are of much greater importance than that of carrying traffic. The inland wireless stations which form an adjunct to the land line system may be classified under two heads, namely,

- (a) those stations which form the only means of communication between the places at which they are situated, such as the Port Blair-Rangoon service;
- (b) those which serve as a means of assisting the land lines in normal times and as an insurance against the risk of complete breakdown of the internal communications of the country should the land line be interrupted.

These stations, irrespective of the services they perform, can only be regarded as a component part of the telegraph system and in practice it is quite impossible to segregate their earnings from the general telegraph revenues. The total cost of running the inland stations during 1923-24 was Rs. 83,700. Our telegraph system must keep pace with the times and this can only be achieved by development. Development of wireless is a natural corollary to development of communication of all kinds, and as we are given to understand that trade depends upon facilities for communication it is not too

much to expect that whatever system of communication helps to develop trade will eventually reap its own reward in actual cash earnings. In any case the service which it has done and will continue to do in this respect cannot be given an accurate cash valuation.

83. *Sardar V. N. Mitalik*.—Do you charge for broadcasting weather reports ?

A.—No.

84. *Q.*—Do you do it free ?

A.—Yes.

85. *Q.*—What is the system in other countries ? Is it done free ?

A.—No. Other countries charge a small fee.

86. *Q.*—Why do you not charge a fee ?

A.—We have not sufficiently developed our coast stations yet.

87. *Q.*—But I suppose that whatever coast stations you have you can charge for the services that you render ?

A.—Yes, we can. The matter is under consideration. We have not been able to come to any definite conclusion as our wireless installation all over the country is now out of date. We have to recondition the entire wireless system of this country.

88. *Q.*—What will be the new expenditure which you will have to incur ?

A.—The expenditure will be something about Rs. $1\frac{1}{2}$ lakhs.

89. *Q.*—For new installation on modern lines ?

A.—To modernise the existing installation.

90. *Q.*—And do you expect then, after installing all this new machinery, that it will pay its own way ?

A.—It will pay in conjunction with the entire telegraph administration of the country. If we did not have these, well, our telegraph system would not be perfect.

91. *Q.*—You still expect that it will be a loss taking the item individually ?

A.—Individually it may be a loss.

92. *Q.*—But you think that this loss may be debited to the Department or that the Department should suffer this loss ?

A.—Yes.

93. *Q.*—So far as the inland system is concerned you maintain it for two purposes. You have got a system of land lines. You say that if the other communication fails this will work ?

A.—Yes.

94. Q.—Do you think that the other communication will ever fail ?

A.—Well, sometimes it does. In every country they have an alternative system in cases of emergency.

95. Q.—What is the extra cost that you have to bear ?

A.—I could not give you the exact figure.

96. Chairman.—The total is Rs. 83,700 for 1923-24.

Witness.—That was the entire cost of running the inland wireless stations.

97. Sardar V. N. Mutalik.—Will this amount disappear in due course ?

A.—You mean Rs. 83,700 ? No, probably it will increase.

98. Mr. H. G. Cocke.—I take it that you require Rs. $1\frac{1}{2}$ lakhs at present for modernising the existing installation ?

A.—Yes.

99. Q.—Is that being done ?

A.—It is still under consideration. We propose to go up before the Standing Finance Committee.

100. Q.—Although you are not quite up to date you are performing a very valuable service to shipping ?

A.—Yes. Our coast stations are in fairly good order, more or less modernised, but our inland stations are not.

101. Q.—Just as the shipping pays for using the lights of the coast so shipping will pay for using the reports that you circulate daily ?

A.—You mean the weather report ?

102. Q.—Yes.

A.—And cyclonic radio ?

103. Q.—Have the shipping been approached ?

A.—The matter is still under consideration.

104. Dr. Lohokare. Q.—Is there any commercial traffic on the inland radio stations ?

A.—No.

105. Q.—Is the cost of maintenance of the inland radio stations and the coastal radio stations mentioned separately ?

A.—No. It is in one place under radio.

106. Q.—What are the main inland stations ?

A.—Allahabad, Delhi, Peshawar, Lahore.

107. *Q.*—What is the main purpose that they serve ?

A.—To exchange traffic in cases of any urgency.

108. *Q.*—It is only an emergency measure ?

A.—Yes.

109. *Q.*—How many occasions were there for such emergency traffic ?

A.—I could not give that information.

110. *Q.*—The inland stations are working at a loss ?

A.—As I have explained the radio system is now a part and parcel of the entire telegraph organisation of the country and I hardly think that we can segregate the earnings of each separate branch.

111. *Mr. Webb.*—*Q.*—You say that there was a loss of Rs. 2 lakhs on the coastal stations ?

A.—Yes.

112. *Q.*—In calculating that did you take into account the share of the profit on the land lines connected with the coastal stations ?

A.—No.

113. *Q.*—So that the loss really, if you took into account the profit, would not be so large ?

A.—No. If you credit the radio with a certain portion of your telegraph revenue the loss would not be so large.

114. *Q.*—That has not been done.

A.—No. That would require an elaborate system of allocation.

May I correct myself about re-conditioning the inland radio system. I said Rs. $1\frac{1}{2}$ lakhs. Rs. $1\frac{1}{2}$ lakhs is probably the amount that we are likely to spend in this year and next year but it will take us some Rs. 7 or 8 lakhs to put them in first class order according to the modern system.

115. *Chairman.*—That matter will come up before the Standing Finance Committee ?

A.—That will come gradually before the Standing Finance Committee.

116. *Saiyid Murtaza Sahib.*—*Q.* If it has not been a success in the case of the inland stations will you do away with that system ?

A.—It cannot be done.

117. *Mr. A. Rangasawmy Iyengar.*—So far as this loss on the radio system is concerned you tell us that Rs. 83,000 is the loss on the inland system ?

A.—The total cost during 1923-24 was Rs. 83,700,—expenditure.

118. *Q.*—Should it not be rather from the point of view of accounting that this cost should be debited to the ordinary telegraph account and should not be treated as a separate item of income and expenditure because this is only a system which is maintained for the purpose of guaranteeing the other system?

A.—Personally I think that the income and expenditure should be merged into the entire telegraph administration of the country.

Chairman.—They are in fact so merged. This is only one item in the telegraph expenditure.

119. *Mr. Rangasawmy Iyengar.*—*Q.*—The question whether the radio system operates as a loss or as a profit can only be considered along with the benefit derived by the telegraph system from the radio system?

A.—Yes. You have to give credit for the work they do. That means that a most elaborate system of accounts have to be maintained.

120. *Q.*—I am simply pointing out whether there is any purpose served by exhibiting it as a separate item.

A.—I do not think it will serve any useful purpose.

Chairman.—It is not exhibited as a separate thing. We are now only considering one item.

121. *Chairman.*—*Q.* Has the question ever been raised of having a credit to the telegraph accounts for the work done for other departments?

A.—The whole question is under consideration. Nothing has been done in that direction.

122. *Q.*—Has the question been considered of charging fees for the services rendered to the mercantile marine?

A.—Weather or cyclone reports?

123. *Q.*—Should not that be charged to the Meteorological Department?

A.—I do not know.

124. *Q.*—I only suggest it to you. Your answer is that some of these questions are under consideration and we need not pursue them further now. The next question is on the same page, paragraphs 13 to 16 of the report. It is the general question on which you circulated a memorandum*—the effect of trade and postal rates on revenue. Last year's Public Accounts Committee raised the question of how far the increase of rates and how the poor ness of trade was responsible for certain reductions or absences of increase in the postal traffic and an interesting memorandum has been circulated.

A.—I hardly think that I can add anything to what has been said in this memorandum.

125. *Dr. Lohokare.*—The Department shows some surplus this time. Cannot that surplus be utilised in reducing the cost of post cards?

Chairman.—It is a question of policy which we had better not embark upon here, unless Mr. Roy has anything to volunteer.

Witness.—I have nothing to volunteer.

126. *Chairman.*—Paragraph 20 of the report. The Committee desired to discuss with you the general question of telephone receipts and expenditure and particularly the possibility of introducing the measured system in Government offices which it was understood had proved a success in Madras.

A.—May I read out a short note? There are three recognised methods for charging for telephone services. One is the flat rate. This is the system now in use by the Department. With a view, however, to encouraging the telephone habit and to get subscribers to new exchanges a sliding scale has been adopted. This is the Government system. For a system not exceeding 50 subscribers annual subscription Rs. 150, for a system not exceeding 100 subscribers Rs. 175 annual subscription, for a system not exceeding 250, Rs. 200. For a system not exceeding 500, Rs. 225 annually and for a system over 500 we charge Rs. 250. Then there is the *measured rate*. This is on the basis of a fixed annual charge which includes a limited number of local calls, all calls in excess of this number being charged for at a fixed rate. This system has recently been adopted by the Madras Telephone Company but it is too early as yet to judge the financial result of the change from the flat rate. The third method is the message rate which is a system of a fixed annual charge as rent for the lines and apparatus and every call is charged for. This system was introduced on the 1st September 1924 by the Bengal Telephone Corporation. There has not been sufficient time to allow of any comparison from the statistics of the Bengal and the Madras Telephone Companies as to whether the message or the measured rate is advantageous as applied to the conditions of a large Indian city. The Bombay Telephone Company which is automatic and has about 7,000 subscribers has so far charged on the flat rate but has now applied to government to be allowed to introduce the message rate system. This proposal is under consideration. The government system in India comprises 90 exchanges with an average of 130 subscribers, 30 exchanges have less than 50 subscribers, 21 exchanges have less than 100 subscribers, 21 exchanges have less than 250 subscribers, 7 exchanges have less than 500 subscribers, 11 exchanges comprising four groups, that is Calcutta, Delhi, Simla and Lahore, have over 500 subscribers. From this it will be seen that there are only four government telephone systems with over 500 connections. These are liable to seasonal variations rising to about or a little over thousand subscribers in the season and falling in the off season. To introduce a message or measured rate would involve considerable expenditure in installing recording apparatus and a large increase in billing staff. In the present condition of telephone development it is considered that the retention of the present flat rate is the most economical and best conducive to obtaining additional subscribers.

127. *Chairman.*—There is a particular point not dealt with in your reply, Mr. Roy, in regard to the control of telephone calls. Have you any suggestions?

A.—That is not in the question, Sir.

128. *Chairman.*—That was a question we meant to raise. I do not know whether you could make a statement as to the system you adopt to prevent the abuse of official telephones for private purposes?

A.—We leave it entirely to the subscribers but as regards trunk calls, everything is billed to the subscriber who rings up the trunk.

129. *Q.*—The trunk call is always billed?

A.—Yes. Having a flat rate for internal exchanges we only make one bill for the annual subscription but if an officer wants a trunk call it is billed to him and it is up to him to say whether it is official or private.

130. *Chairman.*—As regards ordinary messages within the exchange, you have a flat rate throughout. You have no check of the extent to which a particular telephone is being used?

A.—No. The calling rate is not very high.

131. *Mr. R. Iyengar.*—Could you think of introducing a measured rate so far as Government is concerned?

A.—It will mean that we will have to instal recording apparatus which means capital expenditure and billing staff. As a matter of fact the telephone experts of the world will tell you, Sir, that for a small exchange of even five thousand subscribers it is not necessary to have either the message rate or the measured rate.

132. *Sardar V. N. Mutalik.*—With regard to trunk line messages, do you think that the present system is working well and there is sufficient check?

A.—As regards the trunk calls we have a very careful check. Everything has got to go not only through the department but also through the audit.

133. *Q.*—Is there any check on any public official using the telephone for private purposes?

A.—Some time ago I rang up Bombay and I was given a bill at the end of the month and then I had to explain that it was on an official business that I had to ring up.

134. *Sardar V. N. Mutalik.*—So there is a check?

A.—Oh, yes.

Chairman.—Before we go to the next question Mr. Iyengar wishes to ask a question or two about press telegrams, paragraph 17 on page 9.

135. *Mr. R. Iyengar.*—You will find, Mr. Roy, that a suggestion is made by the Accountant General that the Posts and Telegraphs Department virtually subsidises the press to a considerable extent. Do you agree with this view?

A.—Not quite because I personally consider that the press business that concerns the telegraph system is not yet sufficiently developed to justify any M120Fin

enhancement of rate. The press business as far as we are concerned is still in its infancy.

136. *Mr. Iyengar*.—The press in this country as compared with the press in western countries is still in its infancy ?

A.—I mean the press business. I make no remarks about the press itself. I confine myself to the press business that we have got to do.

137. *Mr. Iyengar*.—Is it a fact, as Mr. Ryan told us the other day, that in England the proportion which the ordinary rates bear to press rates is more or less the same. Is that so ?

A.—The question of enhancing the rates for press messages has been considered in connection with the report of the Post and Telegraph Department Committee, 1924-25 and it has been decided to make no change for the present. It was ascertained that the British Post Office concessions in the matter of press telegrams are, when compared with the public tariff, practically equivalent to the Indian concessions. The enhancement of the rates would cause a great outcry in India and there can be no question that it would result in a prompt falling off in the volume of such traffic. Consequently the increased revenue alluded to in the report would certainly not materialise to anything like the extent indicated.

138. *Q.*—That would mean that the Indian Government is not extending any extra patronage to the Indian Press. It is only doing exactly what other Governments are doing. Is it a fact that press rates in services like Reuters or Eastern Telegraph Company are charged in the same way at concession rates as against ordinary rates ?

A.—They are at concession rates.

139. *Q.*—Therefore it is a question of general principle that press messages should be given a rate which is different from the rate given to ordinary messages ?

A.—Yes.

140. *Q.*—Therefore no question of subsidy can properly arise on that matter ?

A.—(No answer was given).

141. *Chairman*.—On page 47 there is an explanation which runs as follows : “The experience of past years suggests the conclusion that the capital requirements of the year are not accurately estimated by the administrative authorities who succeed in getting more money for capital expenditure than they can spend. Assuming that there is a clear cut programme of capital expenditure either a more strenuous effort is necessary to work up to such a programme before the year closes or a nicer appreciation of what the department actually can do. Only thus will a closer correspondence between provision and actuals be possible. This tendency has been remarked upon

in connection also with Maintenance works but it is more pronounced in the case of capital programmes".

Have you any statement to make on that?

A.—The excess is stated to be due in some measure to the following causes :—

- (1) Inability to obtain essential stores in time,
- (2) shortage of subordinate staff,
- (3) changes of plans on the part of railway and military authorities, necessitating abandonment or modifications of schemes. The Financial Adviser, Posts and Telegraphs, however, is not satisfied with the existing procedure for budgeting for new works and the question of introducing a system to secure more accurate budgeting of the capital expenditure of the Post and Telegraph Department on new works is actively under consideration in the Department of Industries and Labour. They expect to be able to introduce changes designed to effect an improvement in this respect by the time the budget estimates for 1926-27 are being prepared.

142. *Chairman.*—I would like to ask one or two questions on that. You say that it is partly due to shortage of staff and partly to inability to obtain stores in time. Are these recurring causes or special causes in the case of the year under consideration?

A.—It often happens. We get held up by non-receipt of stores. There is some strike in England or on the Continent. We do not get the component parts of the stores. Therefore we have to abandon the whole scheme.

143. *Q.*—That is a factor for which you could make some allowance. You also say it is due to changes of plan on the part of the railway and the military authorities. Do you accept the intimation as to change of plan from these departments without protest?

A.—We have been doing that, but now as we have been asked to explain all these lapses, we are not going to do anything. We are going to have a time limit and if they do not send in their schedules of demands by a certain date they are not likely to be included in our budget.

144. *Sardar V. N. Mitalik.*—You said that you cannot properly estimate your capital expenditure. I suppose there are three items on which you spend your money. (1) postal buildings (2) the maintenance and repairs of these buildings and (3) construction of new lines.

A.—Yes.

145. *Q.*—Have you not got any programme for these items?

A.—The question of framing the programme in advance is under the consideration of Government. The matter has been taken up by the Department of Industries and Labour.

146. Q.—Why don't you keep some articles in store for the use of next year?

A.—Because we do not know what articles we will require. There may be a heavy consumption of certain articles in a particular year.

147. Q.—The experience of past years ought to enable you to form an estimate of your requirements?

A.—We do our very best to form an estimate. Three years ago we got out a large quantity of insulators from Europe and at the same time we started manufacturing them in this country and even then we got held up for want of insulators because in that year they had a strike.

148. Q.—I can understand such a thing happening with regard to one or two articles for which there is a great demand. But it appears to me that your Department is unable to foresee expenditure properly.

A.—We do our best but sometimes it so happens that even with all our stores the railways and other administrations change their plans. For instance, a local Government asks for a telephone line of 300 miles in length, but at the eleventh hour they come forward and tell us that they are unable to guarantee that line and so they ask us to cancel the scheme.

149. Q.—Items like these may be excluded from the general estimate, but there ought to be a general plan for incurring your expenditure in the future?

A.—That matter is under consideration.

Chairman.—I can tell the Committee that the Financial Adviser of Posts and Telegraphs and Mr. Roy have been discussing this point for some time but it has not yet been put in order. I do not think we can go into details as to how this is done but one point is certain and that is the drawing up of a definite programme. Mr. Roy's answer is that he hopes to arrive shortly at a system which will very much reduce these over-estimates at any rate.

150. *Sardar Mutalik.*—Will it be put into force very shortly, say next year?

A.—I hope that it will come into force next year.

151. *Chairman.*—On page 26 of the Appropriation Report the Committee's attention was drawn to the very interesting footnote which shows that in April 1923, that is the month when the estimate began to operate, very considerable reappropriations under certain sub heads were found necessary. Is there any special explanation?

Mr. Ryan.—On this question and certain other questions we have not been able to get the relevant papers from Calcutta. We propose therefore, if you agree, that the Financial Adviser should send in a written explanation on such points.

The Chairman agreed to this course.

152. *Chairman.*—Our attention was also drawn in going through this Appropriation Report last time to the fact that the excess or under-spending under each minor head is not shown by comparison to the actual expenditure in the original grant but by comparison between actual expenditure and the grant as modified by competent authority by reappropriation. The Committee felt that the result was that it would be very difficult for them to carry out their statutory duty of scrutinising the changes in the original estimate and the actual expenditure where reappropriation had taken place. Has your attention been drawn to that point?

Mr. Jukes.—I have already arranged this matter.

153. *Chairman.*—Paragraphs 36 and 37 of the Report. Have you had time to get this information?

Mr. Ryan.—No Sir. I will put up later a complete note on these points.

154. Q.—Now take page 22, paragraph 40, Explanation (iv). Can you tell us, Mr. Roy, what these “Contributions from private individuals and Indian States” are?

Mr. McKernan.—May I explain this, Sir. These are fixed contributions from private individuals and Indian States in cases where post offices are opened. They are charged in places where the revenue obtainable is not sufficient to meet the maintenance of post offices in question, i.e., the private individuals and Indian States guarantee against losses. These items were formerly taken as receipts but during the year under question they were not regarded as legitimate items of revenue, but as they were guarantees against the excess expenditure incurred on behalf of the individuals or the State, they were taken as deductions from expenditure on the post offices concerned.

155. Q.—But the expenditure of the post office concerned is voted by the Assembly?

A.—Yes.

156. Q.—This change does not in any way remove these items from the vote of the Assembly?

A.—These charges will now be shown as deductions from expenditure in the Budget.

Mr. Jukes.—The money that we are spending is really on behalf of individuals. Therefore there is no need really for the Assembly to vote at all. This money is being provided by private individuals and not by the Assembly.

157. *Sardar V. N. Mutalik.*—What is the general nature of these contributions? Does the Government spend all the money?

Mr. Jukes.—The position is this. Suppose a particular post office does produce the necessary amount of revenue, then the post office bears the complete expenditure and does not take anything from the individual. But if the revenue realised is not sufficient to meet the expenses, then the Government actually takes the contribution from the particular individual and spends it on behalf of that individual.

158. *Chairman.*—The question in which the Committee is interested is whether the post office has got any money to spend which is not under the control of the Audit Department and of the Assembly ?

A.—It is not Government money.

159. *Mr. Rangaswami Iyengar.*—This money is paid into the hands of the Government for spending upon a service which is administered by Government. Supposing this guarantee is made and we exercise no control, it is open to the man in charge to increase expenditure and to recover it from the private individual, who will have no redress through the Assembly. I am putting it only for this purpose that every item of money paid into the hands of the Government must find its place in the accounts of Government and must be accounted for either as expenditure or as payment in some other respect.

Mr. Jukes.—The question as to what does constitute revenue is a big constitutional question and is already under discussion between the Finance Department and the Legislative Department in connection with the Devolution Rules under the Government of India Act.

160. *Chairman.*—Let us leave aside the general constitutional question. The question I wish to ask is this. This money goes into the hands of the officers of the post office. Is there the same control so far as Mr. Roy is concerned over the expenditure of that money as there is over the expenditure of other money ?

A.—Oh, yes.

161. *Q.*—At what point does there cease to be control ? Has Mr. Roy a freer hand than the Finance Department over this expenditure ?

A.—No, Sir.

162. *Q.*—The Finance Department has a freer hand ?

Mr. Jukes.—In theory it is so.

163. *Chairman.*—There is the constitutional question as to whether this is expenditure which under the Government of India Act is to be dealt with by the Assembly.

Mr. Jukes.—In actual fact I do not think that if you change the system you would really give the Assembly and the Public Accounts Committee any more control. They would have the same control.

164. *Sardar V. N. Mitalik.*—Suppose that no recovery is made. Who will incur the expenditure ?

A.—Government, undoubtedly.

165. *Chairman.*—We have got rather a good illustration of the difficulty of the theory of the thing. Are these contributions fixed sums ?

A.—Practically they are fixed.

166. *Sardar V. N. Mitalik.*—A fixed sum is recovered from the Indian States where there is a post office by arrangement, each year, and then refunded ?

A.—There is no refund. There is a fixed contribution.

167. *Sardar V. N. Mutalik.*—I suppose there are some cases in which the contract is that the Native State should make up the loss.

A.—The contributions are in all cases fixed sums. We have a system, Sir, under which for opening a post office or a telegraph office we ask the local inhabitants to guarantee a fixed sum, say Rs. 500 a year. If the revenue that is derived from the post office amounts only to Rs. 400, they contribute the balance of Rs. 100 to make up the guarantee.

168. *Sardar V. N. Mutalik.*—In case you make a profit, the profit will go to Government?

A.—It goes to the Government.

169. *Chairman.*—We come now to the Audit Report. In paragraph 4 of his letter to the Government of India the Auditor General draws attention to the number of cases of frauds and embezzlements having increased in the year under review. Have you any statement on that general question?

Mr. Roy.—We have prepared a statement, Sir, from which it will be seen that as a matter of fact there was a drop from 531 to 511 in the number of officials concerned in fraudulent transactions. Moreover, considering the expansion of the Department, the figures—both numbers and amounts—for 1920-21 to 1923-24 do not compare badly with those from 1913-14 to 1917-18. The actual amount of money embezzled was Rs. 1,16,999 or about .01 per cent. of the total value of cash transactions, excluding insured articles. We have decided to await figures for 1924-25 before issuing a general circular as suggested by the Auditor General. We have not got the figures for 1924-25 yet, Sir.

170. *Mr. Cocke.*—As regards the general form of the fraud that takes place, it arises thus. In the first place, the depositor ought to get a receipt from the Head Office or from the District Post Office, whatever it is called. He does not do it. If he had any suspicion, he ought to draw attention to that; in fact, he does not. In many cases, there is no link between the depositors and the head office. I notice that in several cases the pass-books have not been written up for two or three years. It seems to me that where you have cases of pass-books not being sent in for more than a year, there ought to be some system of getting into touch with the depositors, possibly by sending him a copy of his accounts and asking for confirmation. If you do this, you could do away with many of these cases.

A.—That would mean, Sir, very heavy expenditure.

171. *Q.*—In what proportion of cases do pass-books not come in?

A.—A very large number.

172. *Chairman.*—What approximate number of depositors have you?

A.—It is something enormous, Sir. I have not got the figures.

173. *Chairman.*—Your answer to the question is, then, that it would be very expensive and you do not know whether it will have the practical effect of stopping all the fraud.

A.—Yes, Sir.

Mr. Jukes.—My own personal opinion is that the depositor contemplated in this case is the ordinary illiterate depositor in a village. I think there is not the slightest doubt that if he receives a copy of his account from the head office, he will take it to the local sub-postmaster and ask him "What on earth does this mean?" and the sub-postmaster will see that the necessary return will be received by return post. I think that that is all that will happen.

Mr. Webb.—In these two cases in which the Savings Bank accounts were operated upon, the total loss amounted to Rs. 12,000. They cannot be small depositors.

174. *Chairman.*—Is your system of inspection such as to cover cases of this sort?

A. The suggestions made by Postmaster General to obviate such fraud are:—

- (a) Every head office should furnish the Superintendent with a list of 10 per cent. of the depositors under the head office and the balance at credit of each, and that the Superintendent and Inspectors should try to obtain the pass-books from the depositors and check the balance, and
- (b) As such frauds are committed generally in single handed sub-offices, no one should be allowed to remain in charge of such a sub-office for more than two years at a time.

Heads of circles consulted were opposed to (a) on the ground that it was impracticable and they were also opposed to suggestion (b). The Director-General decided not to accept either of the suggestions. A general order has, however, been issued directing Supervising Officers to exercise great care in selecting men to hold charge of single-handed sub-offices.

175. *Dr. Lohokare:* Q.—In cases where pass-books are not received in the head office for writing up the interest would it not be better if a note of those cases be made and handed over to the Superintendent and Inspectors of Post Offices in order that they may look up such cases, take a copy of the balance recorded at the head office and get hold of some of the pass-books and see if the balances are the same?

Chairman.—We may take it that the Accountant General and the Director-General are actively engaged in the question.

Witness.—We are also engaged in the question of inspection.

Chairman.—We now come to paragraph 5.

176. *Mr. V. N. Mutalik:* Q.—You say that it is advisable to affix special stamps like the money order stamps.

A.—Money order stamps are affixed to such transfers by the issuing postmasters.

Paragraph 6.—

177. *Mr. Cocke.* Q.—You say, "The amount of his security had already been recovered and credited to Government, in connection with another Savings Bank fraud committed by him." Were these two frauds concurrent?

A.—I have no information on that subject, but I can tell you that the total amount misappropriated amounted to Rs. 2,639-0-4 including interest Rs. 187-11-1 and was adjusted as follows:—

(1) Rs. 918-5-1 written off to Profit and Loss.

(2) Rs. 1,720-11-3 written off to the Post Office Guarantee Fund.

The absconder has not yet been traced—

Q.—That is another Savings Bank fraud or this one?

A.—This one. Both came to light about the same time.

Paragraph 9.—

178. *Sardar V. N. Matalik.*—"It is stated that the check of the paid money orders in the Head Office was somewhat imperfect and that the Inspector of Post Offices who inspected the office did not perform his duties efficiently." Have you not got a standard system of inspection?

A.—Yes. As regards paragraph 9 may I read out my note on that subject. Loss of Rs. 4,749 of which sum Rs. 300 recovered from sureties of the Extra Departmental Agent, Rs. 500 under recovery from the Sub-Divisional Inspector who has also been transferred. The balance Rs. 3,949 charged to Post Office Guarantee Fund. The Extra Departmental Post Office has been converted into a departmental office so that there may be a more responsible person in charge. Steps taken also to ensure that money orders from Burma (whence most of these come to the office in question) shall bear the names of the fathers of the payees so that identification may be ensured. On sub-paragraph (ii) orders have been issued that all officials who have given security by means of personal security bonds should give every year in April a certificate to the effect that the sureties are alive and solvent.

Mr. McKernan.—The Accountant General's suggestion was accepted at that time. It was not in force before.

179. *Mr. Webb.* Q.—Who is to give this certificate?

A.—The officials themselves.

180. Q.—In other departments it is done by the local officials of the revenue department.

Mr. Rangaswamy Iyengar. Q.—Security bonds are attested by other officials?

A.—They have to bring a certificate that they are solvent from some people.

181. Q.—Who is to certify it?

A.—So long as we get the certificate that they are alive and solvent it is sufficient for us.

Mr. McKernan.—That is a weakness and we shall look into it.

182. *Mr. Rangaswamy Iyengar.*—Has it not been prescribed in what form the certificate should be and who is the officer who should certify?

A.—The certificate is given by the person himself that the sureties are alive.

183. *Q.*—It is of no value at all.

Mr. McKernan.—No value.

184. *Mr. Webb.*—The local tahsildar or village officers ought to do it.

A.—I shall have that order modified that they should get a certificate from the revenue authorities, or some competent authority.

Paragraph 10.—

Witness.—The sub-postmaster was fined one week's pay and debarred from independent charge for the remainder of his service.

Mr. McKernan.—He is retiring this year if he has not already retired.

Paragraph 11.—

Witness.—The total amount misappropriated as shown by the latest reports was Rs. 2,050-7-0. Recovery made from the postman's arrear pay and his sureties Rs. 256-3-0. Recovery from the officials in fault Rs. 1,367-0-0. Total recoveries Rs. 1,623-3-0. The balance that will require writing off to the Post Office Guarantee Fund is therefore Rs. 427-4-0.

Paragraph 12.—

185. *Saiyid Murtuza Sahib.*—In paragraph 12 it is said that the balance has been provisionally written off to the Post Office Guarantee Fund.

Witness.—The principal culprit has not yet been arrested. His accomplice, a dismissed postman was arrested but on being tried he was discharged for want of evidence. The balance Rs. 1,439-9-0 has now been finally written off to Post Office Guarantee Fund.

Paragraph 18.—

186. *Chairman.*—The Auditor-General draws our attention to the desirability of investigating whether the accounts clerk who was handling Government money had furnished any security. If so, whether the amount found short could not be recovered from such security. If not, whether a security should not be required from the accounts clerk of the office in future.

A.—The accounts clerk in question had not furnished any security. The amount of loss to Government, *viz.*, Rs. 315-15-9, was written off as irrecoverable owing to the man's death. Security is not required from accountants or accounts clerks, as such officials are not called upon, under the existing rules, to keep cash in their custody. Instructions have been issued to all Heads of Circles to see that their Personal Assistants are invariably held responsible for all cash transactions or balances in the circle offices. It does not, therefore, appear necessary to require security from the accountants and accounts clerks concerned. It is also understood that no security is required from corresponding officials in the Public Works Department.

Mr. Jukes. Q.—What is the Personal Assistant ? Is he a gazetted officer ?

A.—Sometimes he is and sometimes he is not.

Q.—Does he give any security ?

A.—No. The cash balance that is kept in a circle office is very small.

187. *Chairman.*—Has the general question of taking security from this class of officer been considered ?

A.—Yes and then it was decided not to press for it. We had some years ago security even from a telegraph operator and then later on the security deposit was considered unnecessary from the staff.

Mr. McKernan.—But the general question of securities in this department is going to be raised in my next Audit Report. It is supposed to be inadequate.

Paragraph 17.—

Witness.—Rs. 95 was recovered from the Telegraphist. Instructions have been issued that none but a responsible person should check the reading on the National Cash Register and that at the bottom of the manuscript total shown in the itemizer tape a certificate should be given by that official that the figures recorded have been personally read by him from the National Cash Register and that the Cash Collection has been counted and found to agree with the totals recorded in the National Cash Register.

188. *Mr. Cocke.*—I wish to know to what extent National Cash Registers are in use, whether they are being extended and whether the particular type used issues automatic receipts ?

A.—Yes, we have extended in Rangoon, Calcutta, Bombay and Madras the principal towns where there are heavy bookings. The Bombay Central Telegraph Office has got National Cash Registers at 3 or 4 out-stations alone.

189. *Mr. Cocke.*—Is it very expensive ?

A.—They come to about Rs. 3,000 each.

Paragraph 19.—

190. *Syed Murtaza Sahib.* Q.—Is the practice referred to in paragraph 19 allowable ?

A.—Orders have been issued that no cash should be kept by the accountant. The headquarters officers are responsible for recoupment of sub-inspector's imprests. The Auditor General's questions do not therefore arise. Accountants do not lodge security. Recovery of Rs. 500 was enforced in this case from the Divisional Engineer.

191. *Chairman.*—*Paragraph 23.* Irregularities in contract. Have you any statement to make ?

A.—The Director General has issued a circular to all Postmasters General dated the 10th October laying down (1) there should be a valid agreement to M120FinD

cover payments, (2) proper sanction necessary to cover extra payment, (3) no action to be taken committing Government to additional expenditure, (4) extra payment should not be treated as contingent charges, (5) schedules of trips to be scrutinised so as to reduce the necessity for extra charges.

192. *Sardar V. N. Mutalik.* Q.—To whom is the progress of expenditure on such items reported?

A.—To the Postmaster General.

193. Q.—He himself is responsible?

A.—He or his subordinate officers.

194. *Chairman.*—The Government of India refused to increase the mail subsidy and at the same time it was increased by the addition of an amount out of the contingent grant by the orders of the Director General? How did that occur?

A.—I have not got that file. If you like, I shall submit a note on that.

195. Q.—It is a rather serious case.

Mr. McKernan. A.—The irregular action has already been regularised by the Government of India.

196. Q.—Is it because the Government of India were satisfied that it should be regularised?

A.—It had no other option but to regularise it.

197. *Chairman.*—Perhaps Mr. Roy will put in a statement about this.

A.—I will send in a note on that.

198. *Chairman.*—Paragraph 24. Any remarks?

A.—The Postmaster General retired in October 1921. Pension was sanctioned in December 1921. The case was brought to the Director General's notice first in February 1922.

199. *Sardar V. N. Mutalik.*—Have any steps been taken to see that such things do not happen again?

A.—Necessary action has been taken to prevent a recurrence of this.

200. *Mr. R. Iyengar.* Q.—Is it a fact that in the case of irregularities of this kind causing loss, Government does not pursue to recover sums which could legitimately be recovered, merely because the officer has retired? Supposing the sum is legally recoverable, you could sue him and recover it?

A.—Generally we do not recover from an officer who has retired. If he is on active service we do.

201. Q.—Supposing you could recover while the man is in service, why should you not recover the amount after he has retired?

A.—That has never been done.

202. Q.—Why ?

A.—When he is in active service he draws his full pay. When he has retired he draws only his pension.

203. Q.—It is a civil liability. The loss is there all the same ?

Syed Murtaza Sahib.—Was legal advice sought ?

A.—No legal advice was sought for.

204. Chairman.—Is it the general practice ?

A.—It is more difficult to recover from a retired officer. As far as I know, it has not been done in the case of retired officers.

205. *Mr. R. Iyengar.* Q.—It is one thing to punish a retired officer and mulct him of a part of his pension for misconduct during service. It is another thing to write off a certain sum which owing to gross negligence was lost to Government and which could be recovered. There are cases in which he might even be legally liable. How would you deal with such cases ? Are there no principles governing such things ? Was no disciplinary action taken against this Postmaster General or his subordinates ?

A.—No, Sir.

206. *Sardar V. N. Mutalik*—If you make this a rule, will it not be a sort of inducement for a retiring officer to incur more expenditure ?

A.—If he does, he does not get his pension, if it is discovered in time. In this particular case it was too late to discover this in time. If it had been discovered in time, the Director General would have taken the necessary action.

207. Q.—Are you satisfied that this is really a desirable system by which you allow an officer to go away without disciplinary action being taken, after he has committed some irregularity, simply because he has retired ?

A.—To begin with, if an officer has retired we cannot get the fullest information or his explanation on the different points connected with the case.

208. Q.—Was he not called for an explanation in this case ?

A.—I do not think so. The officer had left the country.

209. *Dr. Lohokare*—He knows that the amount is going to be written off ?

No answer.

210. *Mr. R. Iyengar.*—Is it not a fact that in the case of people who have furnished securities, the securities are not returned until six months after they have retired ?

A.—Postmasters General do not furnish securities.

211. Chairman—Paragraph 25. Don't you think it would be a good thing to have a time limit within which appeals should be disposed of ?

A.—In addition to the action already taken the rules will be amended to make it clear that appellants delay appeals at their risk and that if they

themselves are responsible for the delay they will not get any allowance for the period of non-employment.

Mr. McKernan.—The period has since been limited to six months.

212. *Mr. R. Iyengar.*—What happens if the delay is not on the part of the appellant but on the part of the authorities dealing with the case?

A.—If there is any delay in the office the appellant does not suffer for that.

213. *Chairman*—Somebody in the office suffers?

A.—They do.

214. *Sardar V. N. Mutalik.*—The orders are strict and specific on that point?

A.—Yes. We take disciplinary action against people who delay a case. We stop their increments.

215. *Chairman*—*Paragraph 26.* Have you any statement to make on that?

A.—The extra expense to Government for removing the sullage water from the Lahore telegraph office in question was held by the Director General to be a most regrettable occurrence. Had the Superintendent, Lahore telegraph office, made it clear to the Postmaster General, Punjab and North-West Frontier, that owing to the breakdown of the pump, he would have to incur a monthly expenditure of about Rs. 250, the Post Master General would no doubt at once have instructed the Superintendent to have the pump repaired by the most convenient agency and would have found the small amount of money. The Superintendent concerned has now retired and, as evidently his fault was an error of judgment, the Director General did not think that any disciplinary action need be taken.

216. *Sardar V. N. Mutalik*—Were no reminders sent to the Public Works Department?

A.—I could not tell you because I have not got that file but it was inquired into by the Director General and he did not think there was any need for disciplinary action.

217. *Chairman*—*Paragraph 27?*

Mr. Roy.—The motor launch was brought into use from the 13th June 1921. It was disabled on two occasions prior to the 10th March 1922 when it was again disabled and finally abandoned. On the 1st November 1922 a report was received from the Post Master General regarding the disabled condition of the launch. He was asked on the 13th November 1922 to sell it. Much time was spent in advertising the sale to the public, during which enquiries were made to ascertain whether after repairs the launch could be utilised by the Engineering Branch. As it was found that the launch would be unsuitable this idea was abandoned. In the meantime every effort was made to sell it, but as no reasonable offers were forthcoming it was eventually decided on 28th May 1923 to make it over to a firm of auctioneers for sale by auction, with a reserve price of Rs. 2,500. The sale was effected in September 1924 and a sum of Rs. 3,240 was realised.

218. *Chairman.*—Mr. Jukes, have you any further comments to make on this subject?

A.—The only further comments that I can make on this subject are that no action has been taken against the Postmaster General.

219. *Q.*—Mr. Roy, has the question of taking further action been considered?

A.—No, Sir; because the Postmaster General was trying to get rid of the launch.

220. *Q.*—I do not think you have answered the question as to why money was spent month after month on this launch?

A.—The launch was for sale and there must be one or two men in the launch to take it out for inspection. We got several offers but they were not tempting. We had to keep one or two men to show the launch and also to drive the launch when anybody came with the intention of purchasing it.

221. *Chairman.*—Have you any note on paragraph 28?

A.—The whole line cost Rs. 2,615. The original intimation from the canal authorities was that this wire would probably be required in 1921-22. Definite demand for it was not made by them till December 1921. Immediate arrangements were made to complete the work during the same financial year, but owing to difficulty in obtaining stores caused by the E. I. Railway strike, the work could not be completed before June 1922.

Sub-paragraph 3.—It is not the practice in this Department to report to the canal authorities the commencement of a work, especially when immediate arrangement is made for its execution. There was an accidental omission in this case, about sending to them formal intimation of the completion of the work but there can be no doubt that the existence of the new wire was known to the canal authorities, who have unconditionally accepted the rent charged for this wire for the first 12 months, *viz.*, from the 1st July 1922 to the 30th June 1923. It is not therefore a question of their "agreeing to accept" a debit for 12 months' rent. They already accepted it without question on the 12th October 1923.

Sub-paragraph 4.—The claim of this Department has not been weakened in this case because as stated against sub-paragraph 2 above, there was no appreciable delay in construction after a definite demand for the wire was received from the canal authorities; and having regard to the fact that the canal authorities were apparently aware of the existence of the wire and accepted the rent bill for the same for the first 12 months, a technical omission to intimate the completion of the work to them cannot vitiate our claim. This matter is still under correspondence with the Chief Engineer of the Canal Administration concerned.

Mr. McKernan.—It has been reported to me that the canal authorities have agreed that the cost of installation will be borne by them and the bill has been made out.

222. Q.—Now we come to paragraph 29.

Mr. Roy.—The following instructions have been issued to all Heads of Postal and R. M. S. Circles :

- (1) In the case of works whether for the construction or repair of departmental post office buildings costing Rs. 100 or more, a detailed estimate giving full particulars of measurements, quantities, rates, cost of materials and cost of labour should be submitted to the Audit Office concerned at the time of sanction to the work. When the work is completed, a completion report on the lines of the estimate, showing the expenditure incurred on the work, should also be sent to the Audit Office through the Head of the Circle; and
- (2) The total cost should not be drawn in advance. Only amounts required for immediate disbursement should be drawn and accounted for in the same month. If however circumstances require that an advance should be drawn such amounts should be treated in the accounts as advances and the Superintendent concerned should be held personally responsible for seeing that they are adjusted as soon as possible and that the unexpended balance is credited by the end of the year without fail.

223. Q.—Now we come to part (b) of paragraph 29.

Mr. Roy.—The Auditor General draws special attention to this. The wording of the Director General's orders may have given colour to the Auditor General's criticism. But the Director General observes that he expressed strong disapproval of the action of the Postmaster General as a whole and his letter must have been understood accordingly.

224. Q.—Do you think that is sufficient? After all a Postmaster General is a fairly high official?

A.—I think necessary action has been taken in the matter.

225. Q.—*Mr. Jukes.*, I should like to know whether the action taken is sufficient in your opinion?

Mr. Jukes.—It is very largely an administrative question. In some of the departments a letter from the head of the Government to an exalted officer like the Postmaster General might be thought quite sufficient.

Mr. Roy.—The Director General's disapproval practically amounts to a censure on the Postmaster General, who is a head of a Circle. I think the Postmaster General has taken necessary action in the matter and I do not think that a case of this kind will recur in the future.

226. *Mr. R. Iyengar.*—Are these disapprovals entered in the service register?

Mr. Roy.—No, they are not entered in the service register.

227. Q.—So that this disapproval or mental agony lasts only for the time being ?

Mr. Jukes.—Surely these disapprovals are entered in the confidential records.

Mr. Roy.—A copy of any censure passed by the Director General on the Postmaster General is placed in that officer's personal file in order to indicate to the Director General's successor that such and such thing has happened.

228. Q.—Can you tell us whether it was done in this case ?

A.—I cannot say that.

229. *Sardar Mutalik.*—Surely there must have been some lower subordinates who were concerned in this irregularity ?

Mr. Jukes.—When the Postmaster General signs a certificate he takes the responsibility for it.

230. *Chairman.*—Now we come to paragraph 30.

Mr. Roy.—A total sum of Rs. 5,036-13-8 was outstanding, including Rs. 1,670 in this case and other sums due on account of passage advance, War gratuity excess drawn and excess T. A. drawn. The officer was deeply involved in debt and discreditable financial transactions. He was removed from the service and the above outstandings being irrecoverable have been written off against revenue. He did not get pension.

231. *Mr. R. Iyengar.*—Have you tried to find out why so much money was allowed to accumulate against him and why proper precautions were not taken to see that he was not given any more advance by the supervising officer ?

Mr. Roy.—It is rather difficult to investigate the financial position of an officer who is asking for an advance of passage or anything else. We take it in good faith and give him all the facilities and the advances to which he is entitled.

232. Q.—The point is this. This officer had already had an advance for his motor car and then he obtained a passage advance and two or three other advances. In such a case should you not exercise more care ?

A.—It was not known that he was so badly financially involved. We had no information whether he was solvent or not.

233. *Chairman.*—Are losses on account of motor car advances and passage advances frequent ?

A.—Not frequent.

234. Q.—There is no reason to regard this case as symptomatic ?

A.—This is an exceptional case.

235. Q.—Paragraph 33 ?

A.—On going through the charges preferred against this officer it was found that they were not conclusively proved against him, though he was guilty of M120FinD

several irregularities of a more or less serious nature. He was therefore released from suspension but it was ordered that he should not be promoted to the grade of Deputy Assistant Engineer, and should be kept under the direct supervision of the Divisional Officer concerned.

236. *Chairman*.—Paragraph 39. The Auditor General remarks that closer supervision by the sanctioning authorities is necessary over this class of work.

A.—A general order has been issued to the effect that Superintendents of Post Offices and First Class Postmasters will be held personally responsible for the transmission of defective and incomplete pension papers to the Audit Office.

237. *Chairman*.—Paragraph 40. Here again, the Auditor General remarks that in order to avoid irregular grant of leave, special attention should be paid to the leave account.

A.—In September, 1924, all Heads of Circles were directed by the Director-General to issue instructions to all officers under their control who were empowered to sanction leave that an officer who sanctions leave which on subsequent scrutiny is found to be not due, resulting thereby in overpayment, renders himself liable for the full amount of the extra cost incurred by Government owing to his carelessness, and that unless much more care is exercised both in the preparation of leave accounts and in the verification of leave due before according sanction, disciplinary action will be taken on the lines indicated above. The Accountant-General, Posts and Telegraphs, has since written to say that he expects that, in consequence of the orders issued by the Director-General referred to above, the leave accounts will in future be subjected to a frequent and thorough check and that their condition will show an improvement.

Mr. McKernan.—They are also being checked by the inspecting staff during inspections.

238. *Chairman*.—Paragraph 41. The Auditor General draws attention to this.

A. *Mr. Roy*.—The following Circular was issued on 14th February 1925 :—

The subjoined extract (paragraph 41) from the Audit Report for 1923-24 issued by the A. G., P. & T. is published for general information. The Director-General desires to impress on all officials concerned that great care should be exercised in the preparation of supplemental bills according to prescribed rules and procedure in order to prevent overpayments, and that any official, through whose carelessness any overpayment is made, renders himself liable for the full amount of the extra cost incurred by Government.

239. *Chairman*.—Paragraph 43. The Auditor General desires it to be impressed on all concerned that much inconvenience and unnecessary correspondence could be avoided if a little care is exercised to avoid irregularities such as those referred to in clauses (b) to (h).

A.—Circular orders were issued by the Director-General warning all concerned on these points.

240. *Chairman.*—The Auditor General says that the rush of expenditure was due to a large extent to late allotment of funds. Have steps been taken to remedy that?

A.—Yes, Sir.

241. *Paragraph 46.*—The Auditor General draws attention to the desirability of carefully considering the general question of performing the mail service work departmentally in other places.

Mr. McKernan.—The service in question in paragraph 46 has since been changed into a contract service.

242. *Mr. A. R. Iyengar.*—May we know the present policy of the Director General in regard to this postal service?

A.—Referring to the Auditor General's remarks in paragraph 16 of his letter, there have been motor mail services under departmental arrangements in Bombay, Madras and on the Jhelum valley road to Kashmere, but in each case the arrangement proved a continual source of trouble to the Department and involved loss of Government money. The handing over of those services to contractors has proved both satisfactory and economical. After the 1st September, 1925, from which date the service in Calcutta will be worked by contract, no motor mail service in India will be operated by the Department direct. The only one we have now is the Calcutta one and that will be handed over to a contractor on the 1st of September.

243. *Q.*—At what rate?

A.—10 annas. Lower than the figure that was worked to departmentally.

Mr. Jukes.—There is a comment to make on that. The result of instituting departmental working has apparently been to bring your contractors' rates considerably down.

A.—Yes, we have brought it down.

Q.—Previously, it was far too high. Are you quite sure that in the other cities in which the contract system is prevailing, the rate is not too high?

Mr. Cocke.—The cost of petrol and other things has gone down.

244. *Chairman.*—The view of the Department is that departmental working is not desirable as a general rule?

A.—Yes. We hand it over to the contractors.

Mr. Jukes.—*Q.*—Is there sufficient amount of competition to ensure getting the lowest possible tender?

A.—We do advertise. For the Calcutta Service we advertised for tenders.

Mr. Jukes.—That is quite true. But are there sufficient contractors who are capable of putting in a tender? If there is only one firm which could possibly do it, the tender system is useless.

A.—They are doing the Calcutta contract at less than what it costs us.

Mr. McKernan.—This has been accepted as very satisfactory. But it is a question of contractors in other cities.

Mr. Ryan.—There has not been quite as effective competition in all cases with these contractors as there might have been, and I think that this is a point that might be impressed upon the Department.

245. *Chairman.*—As a matter of procedure, who sanctions the contract ? At what stage do they come up to headquarters ?

A.—They come up to headquarters and then they are submitted to Government. If it is over Rs. 50,000, it has to go to Government. The Director General's power is limited to Rs. 50,000. In cases under Rs. 50,000, it is the Financial Adviser who sanctions as a rule.

Mr. Ryan.—It has recently been agreed that in all cases of importance, even though they may be nominally within the Director-General's powers, he should consult the Financial Adviser, and that is the view which is adopted.

246. *Mr. A. R. Iyengar.*—Is it not the case that the Calcutta contract has been given to a man from Madras, who quoted a lower tender, I believe, than the Calcutta people did ?

A.—No, because we found this tender to be the best of the lot. There are a lot of other points. They have had to take our vehicles. A lot of other contractors wanted the contract but they were not prepared to take over the existing vehicles belonging to the Department.

247. *Chairman.*—*Q.—Paragraph 48 ?*

A.—Point (a). In the revised schedule, the duties of the drivers have been extended up to 11 and 12 hours daily and no further extension is possible. If the vans in reduced numbers run additional mileage, a very rapid deterioration of the vans will take place because the time available for their daily cleaning will have to be curtailed and there will not be sufficient time to allow of the daily adjustments. No reduction in the number of vans was therefore possible.

2. On administrative grounds all the available accommodation in the Arcade building is required for the post office and the existing arrangement for garaging the motor fleet was allowed to continue.

3. The point whether it would be advantageous to carry a stock of tyres and tubes purchased at a favourable rate or whether the purchase of tyres in a rising market should be deferred is always considered before a fresh stock is obtained. The present stock of these articles is not excessive and the arrangement for their storing is such that no deterioration takes place. A detailed register of tyres as suggested has been introduced.

4. Experiments with cheaper oils were made but no satisfactory result was obtained. A trial is however being made with Veedol oil.

5. The charges for repairs are necessarily less than those of any private firm because the Post Office gets full value for the outlay which it would not

do from any contractors who would naturally look for a profit. The repairing figure of Rs. 1,000 per annum per car includes cost of new wheels fitted with solid tyres, new spare parts and complete repairs and replacements due to accidents.

Point (c). The Audit officer recommended the discontinuance of the supply of uniforms to sweepers, mehters, Bhists of G. P. O. and porters of the Calcutta Sorting Division. For administrative reasons it is necessary that they should be supplied with uniforms.

Mr. Jukes.—*Q.*—What was the exact financial effect of the various proposals under (a) which you did accept?

A.—We have not got that. We have accepted the suggested retrenchments.

Q.—The comment that I was going to make was that if this reduction had been made then the cost of working the service departmentally would have been less than that of the new contract which has been given:

A.—I have not got the papers with me. I will look up the case. There was another thing that I might mention. Supposing we carried on our work for the motor transport in Calcutta we would have had to incur a heavy capital expenditure for buying a new fleet. So we were just able to hand it over to a contractor in time before we incurred any new capital expenditure.

248. *Chairman.*—I think we had better have a statement in justification of the new contract.

Dr. Lohokare.—A statement of the cost if it is run departmentally may also be put in.

Witness.—I shall put in a statement later.

Paragraph 49.

249. *Chairman.*—The Auditor General says, “I am of opinion that it is in no case correct to allow a contractor a benefit in excess of the terms of an accepted contract. Even if it was considered necessary to allow such benefit in the particular case under consideration, the contract should have been duly revised first.”

A.—49 (i). In the agreement with the late motor contractor there was no mention of any electric or water charges and those contractors worked the contract under the belief that the Post Office would pay these charges. Accordingly it was impossible to make any recoveries in respect of past periods. The present contractors have been paying light and water charges from the 1st April, 1924. The late motor contractors were entitled to accommodation in the stables free of rent under the terms of the agreement; such use of the stables was a part of the bargain and was taken into account in settling the amount of the subsidy. It will thus be seen that the question of revising the contract in the first instance, as suggested by the Auditor General, did not arise.

250. *Chairman.*—I would like your view first of all on the general question. Do you agree with the Auditor General's comment that as a matter of rule if you are going to pay a contractor something over and above the contract price the first step is to revise the contract ?

A.—Yes.

251. *Q.—*Then I think it follows that your statement that no question of its being revised arises in this case has not been quite accurate ?

A.—May I submit a note on that point later ?

252. *Mr. Rangaswamy Iyengar.*—*Q.—*The point that seems to have been impressed in the note is that although there was a written contract there was a certain belief or something of the kind. I really want to know what it is. If there is a contract it must be set down in writing.

A.—I will submit a note on that point.

Paragraph 50.

253. *Chairman.*—There is a comment on page 25 at the end of paragraph 50. It says, "In a considerable number of cases this has been found to have been misplaced ."

Mr. Jukes.—I should like to endorse that very strongly indeed. I think that an examination should be made, and Mr. Badenoch's suggestion has been an extremely valuable one.

254. *Chairman.*—(To Mr. Roy). Have you anything to say on that ?

A.—It is a general question and I have not gone into it.

255. *Mr. Rangaswamy Iyengar.*—*Q.—*May I ask for one information ? Of course, it is a general question. I believe the present travelling allowance rules permit an officer to claim the actual travelling allowance or travelling allowance according to a standard scale ?

Mr. Jukes.—It is only in exceptional cases that he gets the actual travelling allowance, but even if you have a standard scale there must be a certain amount of certificate by the officer concerned that he has incurred certain expenditure. In case of transfer when an officer is entitled to transport goods up to a certain maundage he must certify that he has transported that maundage.

256. *Chairman.*—Is it your suggestion arising out of this remark of the Accountant General that the Committee should draw special attention to this point ?

Mr. Jukes.—It is a big question for consideration both of the administrative department and to a certain extent of the Assembly. Probably the conclusion will be that the present system is the best. One alternative system is that of permanent travelling allowance.

Sardar V. N. Mutalik.—The instances that are given do not come under permanent travelling allowance.

257. *Mr. Rangaswamy Iyengar.*—May I ask whether you have examined the feasibility of making alterations in the existing system?

Mr. Jukes.—There is on record a very long note I wrote on the subject about three years ago. The whole question is extraordinarily difficult and I am not advising that we should alter the existing rules.

258. *Mr. Rangaswamy Iyengar.*—Suppose for instance instead of giving allowance in the case of people from whom you want a certificate you give them railway warrants and things of that kind?

Mr. Jukes.—That is another very big question. That will lead to risk of frauds and increase of work in accounting.

Paragraph 52 (i).

259. *Sardar V. N. Mutalik.*—*Q.*—It is stated, “This was due to the fact that the Traffic supervision work of the circle was done by four Superintendents all of whom had their headquarters at the Circle Headquarters Station.” Four Superintendents doing the same work in one Circle?

A.—It is explained that the T.-T. Superintendents tour part of the time and work as P.A. at Headquarters by turns. A certain amount of overlapping of journeys is inevitable. They are kept at the Post Master General headquarters.

260. *Q.*—Do they inspect the same charge?

A.—Not the same charge. They have got their own jurisdiction.

261. *Q.*—How could their journeys overlap?

Mr. McKernan.—The circle in question is Bengal and Assam. One man does the Shillong area and another the Dacca area. The two men take the same route, one goes to Shillong and the other goes to Dacca.

262. *Chairman.*—Would it not be better and more efficient if you had different headquarters?

A.—The matter is under consideration, but some of the P.M.G.'s prefer to have this assistance at headquarters under their control. In other than Bengal and Assam there are only two officers, one for traffic and one for postal and it is considered advisable that both should remain with the P.M.G. at headquarters. There is no serious objection to it. In the case of Bengal and Assam there are four Superintendents all of whom have been so far at the headquarters of the P.M.G. It has now been decided to consider the transfer of two of these officers, one to Dacca where there is a Deputy P.M.G. and another to Shillong where there is another Deputy P.M.G.

263. *Chairman.*—Leaving out the question of reduction of the number there will be a considerable saving of monies in their having separate headquarters?

Mr. McKernan.—*A.*—That is doubtful.

Chairman.—All that Mr. Roy tells us is that the matter is being considered.

264. *Chairman.*—Paragraph 54.

Mr. Ryan.—The Financial Adviser, Posts and Telegraphs, in consultation with the Finance Department decided that further examination of the question

might be postponed till further evidence of loss to Government was collected and we have had no further evidence so far as we are concerned at present.

265. *Chairman*.—Paragraph 57.

A.—This suggestion of the Accountant General has been approved by the Director General and necessary orders have been issued.

266. *Sardar V. N. Mutalik*.—Don't you think it would be advisable to have a few other workshops and depots at Bombay and some other places?

A.—The whole question is under consideration. We have a telegraph workshop in Calcutta. We have also a depot in Rangoon and also at Karachi and Lahore for mobilisation stores. There is also a stores depot in Calcutta. The whole question is being considered by the department.

267. *Dr. Lohokare*.—Is there no depot in Madras?

A.—Nothing in Madras. Bombay supplies Madras.

268. *Chairman*.—Paragraph 61. The only point we need take up is the Auditor General's remark. This question is not confined to the Post and Telegraph Department. I think we had better endorse the general conclusions as to the importance of observing a certain procedure when revision of scales takes place.

269. *Chairman*.—Page 32. Mobilisation reserve of telegraph stores?

Mr. McKernan.—*A*.—The amount is debitable to the Military Department.

Chairman.—Paragraph 65.

270. *Mr. R. Iyengar*.—Can you tell us what the present position is? Are you going to pursue this policy?

A.—I do not suppose we shall get many tenders for this work. The thing will probably die out.

271. *Sardar V. N. Mutalik*.—Will you issue orders that no further tenders should be accepted?

A.—The question is still under consideration. It seems to me that no further tenders are coming in and the contract will be over very soon.

272. *Chairman*.—Page 37. Have you any statement to make about stores balances?

Mr. Ryan.—The balances have been greatly reduced. At the end of March 1922, the balance was 258 lakhs. In the following year it was 257 lakhs, the same figure practically as at the end of March 1922. It was 210 lakhs at the end of March 1924, and it was 138 lakhs at the end of March 1925. These figures include the value of the Army mobilisation stores—21 lakhs. The reduction of these balances is a matter which has been given exceptional attention for some time past and is still getting it. The reduction already made is very large.

273. *Mr. Cocke*.—What is this chiefly due to?

Mr. Ryan.—It is mainly due to the special efforts made by the Chief Engineer Mr. Roy, to use the stores in stock and to restrict the purchase of new stock.

274. *Chairman.*—Mr. Roy as Chief Engineer was practically responsible for it ?

Mr. Roy.—I have reduced it by 72 lakhs during twelve months.

275. *Mr. Cocke.*—Are they serviceable or unserviceable stores ?

Mr. Roy.—We have still a lot of unserviceable stores but a good portion is being utilised for some other purpose. For instance we had brackets and these brackets could not be sold to any iron foundry. They would give nothing for it. We utilise them for anchors and bury them under the ground.

Mr. Ryan.—The question of writing down the book value of a number of stores will arise before long.

276. *Sardar V. N. Mutalik.*—Is there any policy pursued ?

Mr. Roy.—Certain special works must have certain special stores. For example, there are different kinds of cable. There are many kinds of stores which are not manufactured in India but copper wire is being manufactured here and so are the insulators.

277. *Sardar V. N. Mutalik.*—How much stores do you order in advance ?

A.—We have 138 lakhs worth now.

278. *Chairman.*—Have you any rules as to how far ahead you order ?

A.—About two years ahead because they have to be manufactured at home and sent out. It takes a little time.

279. *Sardar V. N. Mutalik.*—You have not got an exact idea as to your requirements ?

A.—We have only an idea of the requirements for the next twelve months and if we have to forecast for the next three years or five years we will have to send home a very big indent. At present we are practically living from hand to mouth.

280. *Chairman.*—Have you recently gone into the question of what period in advance each particular class of stores should be ordered ?

A.—Yes, we have rules and regulations for that, as to what should be ordered and what should not be ordered.

281. *Chairman.*—It is partly as a result of these rules that you have been able to reduce your stock ?

A.—Yes.

282. *Mr. R. Iyengar.*—To what extent have you been able to dispense with orders from home ?

A. Whatever we can buy locally we buy them. Whatever we cannot get in India, we have to import.

283. *Mr. R. A. Iyengar.*—What is the extent of the improvement that has taken place in this respect ?

A.—For instance, we never thought we should be able to get insulators in India. We are now able to make them in India.

284. *Mr. R. A. Iyengar.*—I do not want examples, Mr. Roy. I want to know what percentage you have been able to reduce in the orders sent Home?

A.—We have reduced our English indent by about 30 to 40 per cent.

285. *Chairman.*—The Auditor General comments on paragraph 71 and says 'I suggested that the Director-in-Chief be asked to investigate the possibility of reduction of stock balances in the Indo-European Telegraph Department.' Have you any statement to make in regard to this?

A.—The excess is in construction stores (as distinct from cable manufacturing, office, wireless and cable ship stores) due to war accumulations. A forced sale would only realise scrap values. It is considered better to allow of gradual use though this will be a slow process. Question of utilization by the Indian Department is under correspondence but there is little hope of much being possible in this way.

286. *Chairman.*—Commenting on paragraph 83, the Auditor General points out: If Government servants can be expected to perform the other duties entrusted to them efficiently without any prospect of making a profit, I do not see why they should not be expected to do inspection work (which forms a part of their regular duty) efficiently without a prospect of making a profit in travelling allowance?

A.—Mr. Ryan.—With regard to this question of travelling allowance, the whole rates for the travelling allowance of the Post and Telegraph Department are at present under consideration and a note by Mr. Varma on special duty is now before the Director General. It certainly was not contemplated to provide a profit for any one.

287. *Chairman*—Let me draw your attention, Mr. Roy, to paragraph 7 of Appendix on page 50.

Mr. McKernan—The Government of India subsequently restored the permanent Director General's orders.

288. *Chairman.*—The position then is that the original more drastic disciplinary action has been taken?

Mr. Roy.—Yes.

289. *Q.*—So far as this particular case is concerned, the matter has been settled?

A.—Yes.

290. *Mr. R. Iyengar.*—As such cases have come to our notice and have been rectified, I think it is not only necessary, as the Auditor General has pointed out, that the Accountant General should report the matter to the department of the Government of India but he should also report to us who are responsible for the public accounts.

Mr. McKernan.—It will be reported in the next report.

Chairman.—I think we have no more questions to ask.

The witness then withdrew.

Evidence taken at the Seventh Meeting of the Public Accounts Committee held on Thursday the 13th August 1925, at 11 a. m.

PRESENT :

Sir BASIL BLACKETT, *Chairman.*

Dr. K. G. LOHOKARE

Sirdar V. N. MUTALIK

Mr. A. RANGASWAMI IYENGAR

Mr. M. WEBB.

Mr. H. G. COCKE.

Kumar GANGANAND SINHA

Members.

The Honourable Mr. D. T. Chadwick, Secretary, Commerce Department, was exami ed.

291. *Chairman.*—The Committee observe that on page 73 of the Appropriation Report a supplementary grant of Rs. 17,000 was asked for and was given by the Legislature. The actual expenditure on the whole head was nearly Rs. 30,000 less than the original vote, and even for the particular sub-head, Burma, to which that Rs. 17,000 was allotted, it was apparently not required ; could you explain that ?

Witness.—The Rs. 17,000 concerned two items in Burma, Rs. 13,540 for repair of a Lighthouse, and Rs. 3,460 for pay and allowances of a mate on a light ship. Before the budget of 1923-24 repairs to lighthouses were debited to Civil Works—Public Works, but in November 1922 we sent round instructions to all Local Governments to debit repairs to light houses to Ports and Pilotage and not to Civil Works.

The Burma Government sent in their budget without having carried out that correction. We twice pointed out the mistake to Finance Department and although it was cut out of Civil Works unfortunately it did not get put into the final account in the budget for Ports and Pilotage. Thereupon we told Burma to try and meet it out of savings ; in December 1923 they wrote in, backed up by the Accountant General, to say that they had no savings to meet this item of Rs. 13,540 and for another item of about Rs. 3,460 making in all Rs. 17,000. We thereupon wrote to Bombay and Bengal and asked them if they had any savings and they replied they had no savings ; and Burma also had the reply endorsed by the Accountant General that they had no savings. Thereupon we asked for the additional grant of Rs. 17,000. On the 20th February 1923 the Burma Government sent in again and said that they needed a supplementary grant of something over Rs. 30,000 for very urgent repairs to a lightship ; we replied on the 28th February saying that it was too late and that the expenditure must be put off till the next year and asking them to meet it out of savings. They replied that the lightship was in a very dangerous condition and that they disowned all responsibilities for its

sinking, whereupon Finance Department gave us Rs. 30,000 out of their reserve. There was therefore no real underspending on the original budget in Burma.

292. *Chairman*.—Can you say anything as to what system there is to secure that some officer in your department keeps up to date with the progress of expenditure on this vote?

A.—It is entirely administered by the Local Governments as our agents. It is not administered directly by Commerce Department. This point was raised last year and we then sent round instructions to Local Governments telling them to instruct their executive officers to keep running monthly accounts and report them to the Local Governments.

293. *Q.*—Do you think that will prevent the recurrence of cases of this sort?

A.—I would not like to guarantee anything, but I hope it will.

294. *Mr. Ahmed Ali Khan*: *Q.*—Are these repairs done by Public Works Department officers or by contractors?

A.—They are done entirely under the orders of the Local Governments who are free to employ whom they wish according to the character of the work; if it is repairs involving brick and mortar work they would, I suppose, employ the P. W. D. If it is a question of repairing the plates of a lightship and such like they would have to go to an engineering yard.

295. *Mr. A. Rangaswami Iyengar*: *Q.*—I find that on one occasion you went to the Legislature and on another occasion you went to the Finance Department of the Government of India; may I know the reasons for this difference of treatment?

A.—The second occasion (for this Rs. 30,000), as I explained, was only brought to our notice at the end of February—I think the Standing Finance Committee had ceased its sitting then; on the 20th of February we telegraphed to Burma to postpone this expenditure to the next year and on the 28th of February they replied that the work could not be delayed and that they had already taken it on hand.

296. *Q.*—What I want to know is whether it would not be possible to include grants of this kind either in the budget for the previous year or in the budget of the coming year.

A.—That is what we endeavour to do to the best of our ability; and in this case we asked Burma to let us know why they did not put it forward earlier and also asked them to put it off till the next year; and they replied that they were incurring a grave responsibility by delaying this thing—they found that the ship's plates were getting rusty and would wear away soon.

297. *Sardar V. N. Matalik*: *Q.*—The Burma Government intimated to you in February that the lightship needed repairs?

A.—We received their letter on the 16th February, we telegraphed to them on the 20th saying it was too late to do anything and asking them to put it off; we received their reply on the 28th saying that they could not do so.

298. *Q.*—Don't you think that these repairs could have been foreseen by the Burma Government?

A.—Yes, but as I said it is extremely difficult when you bring in a ship for repairs to be perfectly certain of the extent of repairs required.

299. *Q.*—It was after the repairs had been begun that the urgency was seen?

A.—Yes, and they wanted the ship back in position before the monsoon.

300. *Dr. Lohokare*: *Q.*—You said that these estimates for repairs to light ships were included in the P. W. D. estimates?

A.—No. When the original budget came from Burma we noticed that they put these repairs for lightships on the old principle into Public Works and not under Ports and Pilotage; we told them to transfer it; but they had already sent the final copy to the Finance Department by the time they got our telegram.

301. *Q.*—Was there a corresponding saving on this side?

A.—No, because when the budget came the Finance Department crossed it out on the Public Works side, but forgot to include it on the other side—it was not transferred to the other side, it got dropped altogether.

302. *Mr. Cocke*: *Q.*—As a result of your letter to the Local Governments to keep in touch with the expenditure, are you now in touch with the expenditure throughout the year?

A.—We do not get the running monthly accounts.

303. *Q.*—You do not know the expenditure for the three months up to June?

A.—We are dependent on the Local Governments which have full spending powers over their own budgets.

304. *Chairman*.—The position is still, then, that you have no officer to watch the progress of expenditure on this vote from time to time?

A.—Yes.

305. *Q.*—Do you think it would be desirable to have it done?

A.—Yes, we can centralise it still further.

306. *Chairman*.—Please see paragraph 8 of the Home Auditor's Report on the High Commissioner's Accounts. The attention of the High Commissioner is drawn to certain payments made in March, 1924, which appeared to be irregular. These are all in connection with the Wembley Exhibition. The Committee desired to have an explanation of the expenditure referred to in that paragraph.

Mr. Chadwick: *A.*—The High Commissioner had complete control over the spending portion of his budget subject to audit and as regards these irregular payments, which appear to have been drawn before the end of the financial year, the matter has been brought to his notice. I think that is all that I can say about it. We knew nothing about them and we could know nothing about them until it was mentioned in the audit report.

307. Q.—The Exhibition Commissioner will, as a matter of fact, be up in Delhi?

A.—He is coming for the session.

Mr. A. R. Iyengar.—I would prefer to have the Exhibition Commissioner's explanation.

308. Chairman.—Would you say that officers as a rule are aware of the general objection to drawing money some time before it is required for payment?

A.—Yes, undoubtedly.

309. Q.—On page 88 of the Appropriation Report, under the grant Industries, the original grant was Rs. 41,000 and the actual expenditure was only Rs. 14,000. We asked for an explanation from the Department of Industries and they have given us a written reply that part of it concern your department. The Rs. 41,000 was made up of Rs. 20,500, the cost of exhibits, and this is the biggest figure in it. In the end it was not spent at all. I fancy it was a transfer to the High Commissioner's budget.

A.—We did not buy any exhibits in the end, I think. It really belongs to another Department. We bought no exhibits in the Commerce Department and therefore asked for no money. I saw the enquiry about the item last week and passed it on to the other Department.

The witness then withdrew.

Mr. McWatters, Financial Secretary, was the examinee.

310. Chairman.—Would you be kind enough to give us something in the nature of a general statement with regard to the use of the Reserve in the Finance Department?

A.—Hitherto the practice has been for us to make allotments from the Reserve from time to time during the year when there is some item of unforeseen expenditure which was not contemplated at all at the time of the budget. An instance came to my notice only yesterday which will illustrate that very well. Owing to very heavy rains in the Punjab there has been a serious subsidence in the salt mines at Khewra and I understand that the Commissioner, Northern India Salt Revenue, has intimated that he cannot find money from his budget and that Rs. 25,000 is immediately wanted in order to prevent further serious damage to the mines. That may come up to us for a grant from the Reserve if reappropriation within the grant is impossible. Then you get another kind of case where expenditure for a particular object has been voted by the Assembly but some excess is anticipated in it. For instance, a committee, such as the Economic Inquiry Committee, may continue to sit a little longer than anticipated in order to complete their Report, and they may expect to overspend their grant by a few thousand rupees. That is the second kind of case, and our practice has been to assume that we are authorised within the limits of the special Reserve to make these allotments in the course of the year. Further, in 1921, we consulted the Auditor-General as to whether in cases of this sort, where there was an excess over a particular grant as a whole, it was necessary to ask for an excess grant or whether it was sufficient if the matter was brought to the notice of the Public Accounts Committee and his opinion then was that it was sufficient if these

appropriations from the Reserve were reported to the Public Accounts Committee.

311. *Chairman*.—I think he is still of that opinion?

Mr. Jukes.—No, Sir, in Mr. Kaula's report as sent up to Government by Sir Frederic Gauntlett, he has adopted the other view. I think he is of the view that it is desirable that it should be formally regularised. He does not want more than formal regularisation.

Mr. McWatters.—I understand that the suggestion has been made by Mr. Jukes that it might be better if instead of making these appropriations at the time, we merely guaranteed, so to speak, to the spending authority that the money would be found but that the appropriation should not be made until later in the year when it could be seen whether they could in fact find money by re-appropriation within their own grant. I am not sure myself whether that is really very much of an improvement. It would avoid the position which is apparent from these accounts, where re-appropriation was possible in a majority of cases and there were only a very few cases left in which an allotment from the grant was really required. But the fact is that even in February, we should not in all cases be in a position to know definitely whether money could be re-appropriated. We should still be, to a certain extent, at sea.

312. *Chairman*.—In some cases you may know, and in some not.

A..—Yes. The net result would be that there would probably be a less expenditure from the Reserve but that rather less information will eventually be laid before the Public Accounts Committee. I do not know that there is very much to choose between that procedure and what we are doing already.

313. *Q.*.—On the question whether an excess vote is required or is desirable in the event of the voted portion of a grant having been exceeded, but an allotment from the Reserve sufficient to cover that excess has been made, the committee would like to have your views.

A..—I think myself that it would be proper to have it regularised by a supplementary grant. I think it is more or less formal, but it is proper.

314. *Q.*.—A supplementary grant should, as a rule, be presented?

A..—Yes.

315. *Q.*.—Supposing you have a case where the excess has been covered by the Reserve and it is too late for some reason or other to introduce a supplementary demand. Would you then recommend an excess vote?

A..—I think it ought to be regularised all through. That is my general impression.

Mr. Jukes.—I think there ought to be an excess vote. I think it will be very difficult for you to put in a supplementary demand.

Mr. McWatters.—I really meant an excess vote.

Mr. Jukes.—My idea is that the excess vote will be a pure formality, and that the Public Accounts Committee would recommend it to be passed as a matter of course.

Mr. McWatters.—In the Punjab they have a Civil Contingencies Fund, which is recouped from time to time.

Chairman.—It is copied from the British system.

316. *Sardar V. N. Mutalik.*—There would be a general vote and then an excess vote in a particular case. I do not know whether there is any constitutional objection to that.

A.—No.

317. *Q.*—You prefer the system that every re-appropriation from the Reserve should be regularised?

A.—I think so. I think that is the right thing in principle.

318. *Mr. Rangaswamy Iyengar.*—In the Government of India's Resolution published on the Public Accounts Committee's Report of the 14th April last, this matter has been dealt with in this way. It is said that allotments from the Reserve are brought to notice in the Appropriation Report, thus giving an opportunity of criticism to the Public Accounts Committee. I take it that the view of the Government of India, at least of you, is that it will not only be put before the Public Accounts Committee for criticism but will be taken to the Assembly for an excess vote.

A.—Yes, that would be the procedure.

319. *Mr. Rangaswamy Iyengar.*—The schedule contains items which are of different kinds. In some cases you have taken out of the Reserve the difference between the amount voted and the supplementary grant—that was one. In other cases you have merely given the grants. I have put down a number of items. Take for instance the case under interest on other obligations page 57. This definite figure is arrived by subtracting the two columns. Page 47. We come to the next thing, India, General Administration. Take for instance page 59 of the Appropriation report. You put down the figures of 2,561 under the head Private Secretary to His Excellency the Viceroy. That I find is a result of subtracting column 9 from column 8.

A.—Yes.

320. *Q.*—Then you come to the next item, for instance, the Finance Department. The difference between columns 8 and 9 is about Rs. 50,000 and odd whereas you have put down only Rs. 10,000 and odd. I want to know what is the principle on which you act.

A.—The Finance Department comes under two heads, Rs. 10,000 and then Rs. 28,990. The latter sum was mainly in connection with the special steps taken to reduce contingent expenditure in the Secretariat. One of Mr. Jukes' officers was placed on special duty. He went into the contingent expenditure of every office. We did in fact exceed the total grant for the Reserve by Rs. 16-6-5. This was due to a definite sum not having been allocated for this special enquiry. There should have been a definite allotment. As for Private Secretary to the Viceroy they must have required first of all Rs. 7,441 and then they found they required less.

Mr. Kaula.—This amount deals only with what are described as minor heads. A minor head of account consists of a number of detailed heads, and there may be an appropriation from one detailed head to another, so that it would be plus under one and minus under another, but they are all under the same minor head.

321. *Mr. Rangaswamy Iyengar.* Q.—What I wanted to know was whether there were any definite principles on which you take money from the reserve? Is it an arithmetical adjustment or do you make provision of a specific grant for a specific purpose?

A.—The latter is really the case. We are informed by the disbursing officer that he will require so much more money for a particular purpose which he cannot meet from the original grant.

Chairman.—It is either to cover an excess on a bit of expenditure which is provided for already in the budget or quite frequently it is to cover an entirely new bit of expenditure which requires special authorisation.

322. *Mr. Rangaswamy Iyengar.*—Would you say that normal increases over estimates of expenditure should ordinarily be found from the reserve?

Witness. A.—Not ordinarily.

323. *Mr. Rangasawmy Iyengar.*—We find a saving of Rs. 31,000 under the Private Secretary. It is certainly a matter for consideration why an application should have been made for appropriation from the reserve when there was the possibility of as much as Rs. 31,000 saving under that head.

Mr. McWatters.—I do not know when that saving occurred. If it occurred before February, no doubt he would not have required to come to the Reserve at all. I think there is one further point to be remembered. This particular year was one in which expenditure was estimated with considerable difficulty being the Inchcape year and there was considerable retrenchment effected all through the year. The position may be somewhat different in ordinary years.

324. *Mr. Rangasawmy Iyengar.*—I only wanted to know what your position will be, whether in all cases you satisfy yourself that it is not possible to meet by appropriation?

A.—We satisfy ourselves generally. The controlling authority has definitely to certify that he anticipates no possibility of its being met with otherwise. We never make an allotment from the reserve unless he does that.

325. *Mr. Cocke.*—In the case of Salt what was the necessity to go to the reserve?

A.—Under the Salt grant at the disposal of the Commissioner, Northern India Salt Revenue, I understand that he does not anticipate now to be able to find money from his actual grant in order to meet this.

326. Q.—There is plenty of time for a supplementary grant?

A.—We have not made a grant from the Reserve yet and it may quite possibly be a case for a supplementary grant. I only heard of the case yesterday and merely gave it as an instance of the sort that might occur. The expenditure has of course to be incurred at once. In this particular case it is quite possible we may bring it up as a supplementary vote, if reappropriation ultimately is found to be impossible.

327. *Chairman.*—To sum up, your view is that the present practice in regard to allocating the reserves might be continued but that where possible it should be regularised by a supplementary vote and where not by an excess vote.

A.—Yes. I am not quite sure I have made myself clear. I was really thinking of an excess vote in my original remark.

328. *Q.*—Take this case of Salt for example. You are told that this Rs. 25,000 is immediately required for a special work of preservation. You allocate from the reserve on the ground that it will be honestly spent at once and there is an excess over the vote. You do not propose thereupon to present a supplementary estimate so as to regularise the excess expenditure. Your view is that, as it has already been voted by the Assembly in the form of a reserve, regularisation by means of excess vote would be sufficient.

A.—Yes. I think you would not be quite certain even in February how much you would want for a supplementary vote. You will still be guessing.

329. *Q.*—In what circumstances would you tell the Department to meet the expenditure by re-appropriation if possible?

A.—We constantly do that and we frequently only agree to expenditure on condition that it cannot be met by re-appropriation.

330. *Q.*—The addition is met by re-appropriation if possible?

A.—Yes.

331. *Q.*—What would be the justification for using the reserve in this Salt case? On what principle would you use the reserve?

A.—Supposing it occurred in June, when the Assembly is not sitting and the expenditure has to be met at once.

332. *Q.*—My point is how would you draw the distinction between a case where you say 'meet it from savings if possible or come for a supplementary vote' and a case where you say you will allocate from reserves?

A.—One distinction will have to be the question of amount, the reserve being limited. If it is a big expenditure it could not be met from the reserve. The reserve is meant to meet a large number of smaller items. In the case of very big items I am not sure whether you can use the reserve.

Q.—Mr. Jukes.—May I ask whether the reserve has been used in the current year?

A.—Yes, to the extent of about Rs. 40,000.

Mr. Jukes.—I have frequently received communication from the Finance Department to the following effect. Urgent need for expenditure has arisen in connection with such and such a case. The Finance Department have agreed that the expenditure should be incurred, and ask the Auditor General to pass the provision on the understanding that it will either hereafter be covered by appropriation or a supplementary vote will be presented. It would be far more satisfactory if in addition to that the Finance Department said that otherwise they were prepared to meet it from the reserve.

Chairman.—If that were the position, we should have to have a larger reserve.

Mr. Jukes.—It would be really a question of the amount outstanding from time to time.

Chairman.—The number of cases in which a supplementary grant is necessary and where you would have to guarantee your reserve would be rather large. Long before February you would have a great deal more than the amount of your reserve used as a guarantee.

333. *Mr. Webb.*—How would the position be if the Assembly refused the supplementary grant? Would the Finance Department be justified in using its reserve?

Chairman.—When you have a question of the refusal of a grant, you have a question of special powers.

334. *Mr. Rangaswamy Iyengar.*—Is it not the position in the case of the reserve being so limited that the normal course of using the reserve would be that it would be necessary to reimburse the reserve by excess grants? An excess grant is a case in which the Assembly very rarely interferes. Therefore would it not be the best form to keep the reserve as excess expenditure rather than as supplementary estimates?

Chairman.—We do want a theory for our reserve.

Witness.—I think there might be one principle, that the reserve should not be used except where the expenditure is small and is supplementary to an existing grant, or if unforeseen expenditure, is of such a nature that it would certainly be approved by the Assembly. Otherwise, we should come up for a supplementary grant.

335. *Sardar Mutalik.*—Is it possible to draw an exact line on your action?

A.—No, I do not think so. The existence of the reserve is a matter of convenience. We have objected to reserves in other Departments; this is practically the only reserve of this kind left in the whole budget.

Chairman.—Mr. Iyengar draws attention to what is called the Civil Works Reserve. That is a perfectly natural procedure; it is for unforeseen works. It is true to say the Civil Works have got a reserve, but that is a reserve for obviously recurring purposes, namely works that have to be done during the year.

Mr. Kaula.—Except that it is not for major works; they utilise it for contingencies, travelling allowance, and other things.

336. *Chairman.*—Are you prepared to answer a question on that? Do you think the Civil Works reserve should be reserved technically for works?

A.—It is a technical point; I would like to have the representative of the Department here.

Chairman.—I do not think we can go further than say the principles on which the reserve should be used require further investigation.

Mr. Rangaswamy Iyengar.—I think we are agreed that so far as any provision is made, it must be with the vote of the Assembly ?

Chairman.—Yes.

Mr. Kaula.—After a provision has once been made out of a reserve and you come again for a supplementary grant, do you get two grants, or is the previous one cancelled ?

Chairman.—You do not cancel. I think thereupon the reserve is restored to its pristine beauty and is available for use in any other direction.

Mr. Jukes.—I am not quite sure ; it seems to me, at the moment, that is entirely opposed to what was decided on the recommendation, I believe, of this Committee with regard to the reappropriation grants. Supposing you want to make a reappropriation from one grant to another, you go to the Assembly and ask for an additional grant for the one but you do not reduce the grant for the other on the ground that the Assembly has no right to reduce the grant it has once made. In that case you are voting again the money you originally voted, but you are not taking it away from the head you first voted it for.

Chairman.—In a sense that is true, but in another sense the reserve is a rolling fund at the disposal of the Finance Department for meeting special contingencies and the money comes back to it.

Mr. Iyengar.—May I put it this way ? If a reserve at the disposal of the Finance Department is Rs. 3 lakhs, and at the end of the year all payments made out of the reserve are reimbursed by excess grants, does that mean the reserve is accumulated ?

Chairman.—The reserve will not be spent ; that is what will happen.

Mr. Cocke.—That is I think the ideal.

Chairman.—That is the ideal ; it is a fund not to be spent, but to be used for temporary emergencies. That is why I say I do not think we have got quite to the bottom of it.

337. *Sardar V. N. Mutalik.*—What about the system of having token grants ?

A.—I do not quite see what the particular advantage is myself. In what instances do you suggest it should be used ?

338. *Chairman.*—I think if I may explain it, it arises something in these circumstances. We require an additional supplementary grant for a particular work and we require to go to the Assembly because it is a kind of expenditure that would require the Assembly's sanction, but we know that there are savings on the vote sufficient to meet it. The suggestion is, I think, in that case that we should go to the Assembly in order to regularise the expenditure, but only for a vote of Rs. 10 or Rs. 100, showing the rest as reappropriation.

Witness.—The Punjab is doing that.

339. *Sardar Mutalik*.—You think that would be a better system of bringing it before the Assembly?

A.—It is a matter for the Assembly; I do not see any objection to it from our point of view.

Chairman.—Again we should have some difficulty in deciding which were the cases which should go to the Assembly.

340. *Chairman*.—The next point is the footnote to grant No. 1, page 20 of the Appropriation Report.

A.—The answer in brief is I think it ought to have been done. I might explain the circumstances. This was when the second and third edition of the Home estimates were received. Certain alterations were made in the Home expenditure, but in no case was it foreseen that the result might be to require a supplementary grant. The exchange on the English expenditure was shown in every case right through in the demands for grants under the detailed Indian heads and to have made the alteration in exchange would have been at that time just before the budget an extremely troublesome business; so it was not done, but it ought strictly speaking to have been done. Now the matter is simplified by the fact that exchange is differently shown in the demand heads. In the greater number of cases the English expenditure together with exchange is shown in the Indian grants. In other cases, when expenditure is shown in the English grants, the exchange is also shown there. In all cases therefore exchange follows English expenditure and the actual adjustment of exchange in the second edition is a comparatively simple matter.

341. *Chairman*.—That is as the result of the recommendations of this Committee last year. When we get the new system of appropriation the proposal is that any excess under any sub-head should be sanctioned at some stage by the Finance Department and shown as so sanctioned, or if it is not sanctioned, the fact that there is no sanction specially drawn to the attention of the Assembly. This difficulty would be obviated by that.

A.—That ought to be done and will be done in future.

342. *Chairman*.—Page 50 of the Appropriation Report, head 4:

Witness.—The main point which arises here, arises also, I think, in numbers 3, 4 and 5. Here again it was due to a change having been introduced in procedure. In that year the new procedure was imperfectly understood by the Accountants General. All these cases relate to heads which are watched and controlled by Accountants General, and they assumed I think, as had been the practice in the two years before, that the revised estimates they sent up would be taken as the basis for supplementary grants, and did not at the same time specifically ask for reappropriation under these heads. At page 49 you will find, that under "Interest on Miscellaneous Accounts," Bombay, an addition of Rs. 3,681 was made. The Accountant General said he required the reappropriation and it was made. Similarly the other Accountants General should have asked for reappropriation in each case. The total grant was in fact under-spent by 21 lakhs, but under the Minor heads there were excesses and the Finance Department could themselves automatically have

regularised them. It raises the point whether, in these grants which are controlled by Accountants General, the revised grant should not be taken as the basis for making these appropriations, or instructions should issue to Accountants General to ask for additional grants that they require.

343. *Chairman.*—It is for the Finance Department to decide what is sufficient evidence to agree to reappropriation.

A.—Yes. Of course the actual details in these cases are slightly different, but the same point as regards reappropriation arises. Take the next case; No. 4. In a number of cases the pensioners of the Oudh family reside in Baghdad and from a reference to the previous actual payments made to these people, we see that the amounts have varied greatly from year to year. The Accountant General, in sending up his second edition, estimated that there would be an excess of 14,000 rupees. Actually the excess, as you will see, was over Rs. 53,000. So that, even if the Finance Department had accepted his revised estimate, they would not have reappropriated sufficient to meet this. It is a big head, very difficult to calculate owing to the nature of it, and on account of the residence of these people in Mesopotamia.

344. *Chairman.*—*Q.*—Do you think that it would be desirable that the department of government at headquarters, whatever it is, which is finally responsible for any particular vote should arrange to have regular statements of the progress of expenditure from the people who are directly responsible for the expenditure of the vote?

A.—I think so. In the case of the important debt heads the controlling officer is the Controller of Currency. Here there is already a central control, and he receives the information from the Accountants General.

345. *Q.*—Will you now deal with the savings under Currency?

A.—As regards the big saving (page 107) under India the explanation is a fairly simple one. The reason is that the vote for temporary staff is taken under the India head and it is then distributed by the Controller of Currency under the various territorial heads—Bengal, Bombay and so on where the currency offices are located; you will notice that the reduction under Controller of Currency is balanced by increases under other heads when he redistributes the provision for temporary staff during the year among the different currency offices. The currency office work is very variable in amount and it is necessary that a large portion of the staff should be on a temporary basis; it would be impossible to have the whole staff on a permanent basis, so that we have to provide a very considerable amount for temporary staff each year and this is reallocated by the Controller of Currency under these different territorial heads for the different currency offices.

346. *Q.*—But under the head as a whole there was a saving of five lakhs?

A.—That was partly because there was a great deal of uncertainty that year as to the amount of expenditure that would be caused by the abolition of the one rupee note; it was then contemplated that there would be very considerable increase in the movement of coin about the country, and it turned out to be a good deal less; the Controller of Currency also as a matter of fact has been introducing very considerable savings on his own account very successfully.

347. Q.—These are really savings suggested by the Inchcape Committee ?

A.—Yes ; also the increase in the number of currency chests at sub-treasuries has been one of the main reasons why we have been able to reduce charges ; we have about a thousand currency chests all over the country and it saves the moving of funds unnecessarily ; you move the money from the treasury into the currency chest and you do away with the necessity of frequent remittances.

348. Q.—In view of the increased banking facilities can the cost of remittances of treasure be decreased still further ?

A.—I think it is difficult to give a definite reply to that because there are so many other factors that affect this item ; the actual charges for remittance are greater than they were, but that is very largely due to the abolition of the one-rupee note and to the fact that certain charges are now included under this which previously were not, in connection with bronze and copper coin. The increase of currency chests all over the country has had a far greater effect than probably anything else for the moment in reducing these charges, and also the arrangements made with railways for payment at different places instead of always at headquarters stations and various other improvements that have been brought into force, all of which have helped.

349. Mr. H. G. Cocke.—Q.—I should like to know exactly how far the abolition of one-rupee notes has been responsible for a saving in expenditure.

A.—There was immediately a very large reduction in our budget—something like 20 lakhs ; the immediate saving is obvious and enormous, very much larger in extent than the increased cost of remittance of treasure ; but the calculation as to ultimate saving is a very complicated one ; it depends on the life of the silver rupee as well as of the note and on the rate of exchange and a good many other things.

350. Dr. Lohokare.—Is your temporary staff very large ?

A.—Yes, in all the currency offices, for the reason that your permanent staff is only as much as what you know for certain to be necessary for the permanent work of the currency offices.

351. Q.—Would it be 25% permanent and 75% temporary ?

A.—The proportion varies. The proportion of permanent staff is larger than that.

352. Mr. Ahmed Ali Khan.—I suppose by reason of the fact that you have so many currency chests now you expect a reduction in the charges for remittance ?

A.—Certainly ; you move less about.

353. Q.—Next year you expect a smaller charge ?

A.—It is a constant process ; when I was Controller of Currency we more than doubled the number of currency chests and Mr. Denning has been carry-

356. Q.—It was a profit ?

A.—A profit would arise if the credit side of your account is slightly higher than the debit side. They were almost balancing.

357. Q.—Error is quite possible in matters like this ?

A.—I do not call that a very large error myself.

358. Dr. Lohokare.—Are you not able to estimate the amount of coin returning from circulation ?

A.—The amount of coin coming back from circulation is a thing very difficult to calculate.

359. Dr. Lohokare.—Is there not a certain ratio from which you could find it ?

A.—There is nothing more difficult to calculate than loss on uncirculated coin. It is not only the coin that comes back from the Treasuries. Under our rules we accept the loss up to a certain percentage on coin broken by the public. That is included in the loss. I have the figures here for some previous years. In 1921-22 4 lakhs was the loss ; in 1922-23, Rs. 3,25,000, in 1923-24 Rs. 3,68,000. This is the figure for Bombay and Calcutta together. At the time of the Budget it was estimated that it would continue to go down. Instead of that, it went slightly up.

360. Chairman.—Page 155 of the Report. Adjustment with Provincial Governments. The Committee desires to know why the excess under this head could not have been foreseen and an additional grant asked for from the Assembly in time.

A.—That is due in the main to the revision of rule 15 of the Devolution Rules, which relates to the calculation of the assignments made on account of income-tax to Local Governments. That rule originally was in a different form, and was revised in 1922, and these payments represent adjustments made after long discussions and calculations with Local Governments.

361. Dr. Lohokare.—When was the rule altered ?

A.—In 1922, I think.

362. Chairman.—Was there not time to obtain a supplementary vote ?

A.—I do not think full information was available until after the end of the year. It is a very difficult calculation. The Central Board of Revenue, I understand, are going to be asked to give further details on the point. It is a technical income-tax point and the difficulty, I think, is in calculating the assessed income.

363. Mr. A. R. Iyengar.—Is that the only reason for this ?

A.—No. There is another cause of excess in the vote, the forest probationers.

364. Chairman.—So far as the excess vote is concerned, is it only due to the alteration of the income-tax rule or to any other cause ?

A.—The other cause is entirely due to charges on account of forest probationers. I have got the complete figures here. The income-tax assignments amounted in Madras to Rs. 5,66,000 ; in Bombay, Rs. 13,49,000 and smaller M120Fin

amounts in other provinces. The only other item of excess is the cost of training forest probationers. In other respects, there has been practically no variation at all in the vote. There is the case of Mr. Gardner which I think the Committee wanted to ask about. He was a Bengal officer. He was sent home to London for training in Entomology and when he came back, owing presumably to his special qualifications, he was posted to Dehra Dun and so he became a central charge.

365. *Chairman*.—Page 160 of the report. The Committee desired to discuss the question of the possibility of improving the estimates of refunds. There is an excess on the vote itself here.

A.—A great deal of these refunds are non-voted refunds, statutory refunds under Customs, Income-tax and Salt. These are the three biggest items which account for practically the whole of the amount. The estimates are all in the first instance made by the Accountants-General. In the second place, they are checked by the Central Board of Revenue here. 90 per cent. of these refunds relate to these three big heads. It is very difficult, I think, to calculate exactly what the amount of refunds will be. One has to go more or less on previous experience. It may be very much upset, certainly in the case of Customs and Income-tax, by the actual results of the year. I do not think one can do much more. At most I could suggest that we might ask the Central Board of Revenue to devote very special attention to make these estimates accurate.

366. *Mr. A. Rangaswami Iyengar*.—Would you not like to have a kind of standardising of these refunds? They may be made later so that we may avoid the budget difficulty.

A.—The money must be paid. These refunds are nearly all statutory. The man is entitled to a certain amount of refund under the Act.

367. *Q.*—When a man is entitled for this statutory relief, he gets it years after if you choose to give it later.

Chairman.—I do not think we ought to suspend payments to individuals to avoid budget excess (laughter).

Mr. McWatters.—I think we would lay ourselves open to legal proceedings. If you take the whole of the voted and non-voted items our estimate of the refunds was extraordinarily close. The total refunds (revised estimate) were just over 3 crores and 14 lakhs taking voted and non-voted together and the actuals were 3 crores and 5 lakhs. It was a very close estimate.

Mr. Kaula.—Was not the question of the classification between voted and non-voted under consideration for some months? It was referred to the Legislative Department.

A.—I think it was.

Mr. Kaula.—That was another reason.

368 *Chairman*.—Page 224 of the Report. The Committee desires to know particulars about the excess of Rs. 5,19,000 under Grant No. 62—Interest free advances.

A.—I think that in the first case I may point out that it is a very small percentage in a vote of 9 crores. The actual excess under this head—where

it was a large one—occurred in the Military Department and is explained by the Military Accountant General, as due to stores issued to non-military Departments which are subsequently paid for by them. The head is of course a purely accounts adjustment head. As a matter of fact, the head is now non-voted. The Controller of Currency is the officer who watches this head. The Military Accountant General informed him of the expected excess on this particular amount. But the amount he actually expected to exceed was 12 lakhs less than the actual final excess. The Controller of Currency who controlled the whole vote was aware that he had savings enough to cover it and so he did not take action. If it had not been 12 lakhs more than he was told, he would have covered it. The Controller of Currency was perfectly right in not taking action.

Mr. Kaula.—Is it necessary to obtain the vote now?

Chairman—These book-keeping adjustments are no longer voted.

369. *Chairman.*

Page 308 of the Report. Paragraph 49 of the Auditor-General's covering letter. The Committee desires to discuss the question of the propriety of providing in the budget lump sums for expenditure.

A.—If I may, I will read out the relevant paragraph of the memorandum which we ourselves issued on the 16th May, 1924 :—"Lump sum provision should be avoided as far as possible except where the necessity for providing for expenditure in advance of detailed estimates can be clearly shown". We have always set our face against lump sum provision. Of course, there are cases, for instance, where a Commission has to be appointed and you have no time to work out the details, when you may have to ask for a lump sum. But, ordinarily speaking, we have issued instructions which should prevent a recurrence of this. This particular case refers to the South Waziristan Scouts of which I have not the details. I think Foreign and Political Department could explain this.

370. *Mr. A. R. Iyengar.*—These are cases, I believe, in which lump sum grants are put down for expenditure on certain specified objects. There are cases, I believe, in the Civil Works Department, where you put lump sum provision without any specified object.

A.—We avoid it as far as possible. I do not think we want to go further than that.

Chairman.—A lump sum provision in the Civil Works Department is really a provision for unforeseen expenditure, which is inevitable. I suggest that we should go into the question whether it should be used for anything but works—whether it should be used for salaries. I think that is probably a doubtful expedient.

Mr. A. R. Iyengar.—A reserve is very often used to keep on establishments.

Chairman.—I should think there must be some definite policy in regard to the use of the reserve in a case of that kind.

371. *Chairman.*—There is one more point. Vote No. 41, Civil Works, page 113. There is excess of actual expenditure as compared with net grant which at first sight looks as if we have to go to the Assembly for an excess vote because it is excess over a voted provision, but on page 116 it turns out that the excess is due to the treatment as voted of certain expenditure which should have been treated as non-voted. The question therefore arises—it becomes almost a legal question—whether we ought to go to the Assembly for an excess vote in this case or whether we ought, and if so, whether we can adjust the accounts of the year at this stage by transferring this expenditure by showing it as non-voted.

A.—On this point I took the opinion of the Legislative Department which, if you agree, I will read out. “The excess of expenditure over the amount voted is due solely to the incorrect inclusion by the accounts officers of non-votable expenditure in expenditure under this head. There has, in fact, been no excess of votable expenditure over the amount voted, that is to say, no money has been spent on this service for which the vote of the Assembly is necessary during the financial year in excess of the amount granted for this service, and consequently not only is there no need for excess demand under rule 49 of the Indian Legislative Rules but it would actually not be in accordance with that rule that such demand should be made.”

372. Q.—That answers the first question. It throws us back on another dilemma. The Finance and Revenue accounts have already been presented to Parliament and what should be done?

A.—Could there not be a note in next year's accounts?

373. Q.—You will agree that we must be in a position to correct this?

Mr. Jukes.—I should like to reserve my final opinion on that point.

374. *Chairman.*—You would agree that as a matter of common sense it looks as if we ought to correct this before the presentation of the accounts?

A.—I think so.

375. Q.—What is correcting the account? If we correct the account what does it mean?

A.—I contemplated a correction in the next year's accounts.

376. Q.—There is a clear discrepancy between the audited reports as they emerge from this Committee and the audited accounts as they have been presented to Parliament. What is the form in which that correction is made?

Mr. Kaula.—There is no provision for it at present.

Mr. Jukes.—I should like to question if I may the correctness of your premise. I am very doubtful indeed on the point, which I do not concede, that this Committee has any right to alter the audited accounts.

377. *Chairman.*—The Auditor General presents the accounts to the Assembly and they are referred to this Committee for examination. We find certain admitted errors. It draws attention to those errors. That you will agree Mr. Jukes?

Mr. Jukes.—I agree.

378. *Chairman.*—Your proposition is that neither this Committee nor the Assembly has any *locus standi* for correcting those errors?

Mr. Jukes.—Yes, that is my position. I should like to reserve absolutely my opinion. My view is that there is only one authority who is responsible for preparing the accounts and certifying to their correctness and that is the Auditor General. When he has prepared them and certified them as correct I do not think that anybody except him has the power to alter them.

379. *Chairman.*—You claim that the Auditor General should admit the error and certify the account as correct?

Mr. Jukes.—He previously certified the accounts as correct but he subsequently admits that an error has been detected. What action he takes then—that is the point on which I am not prepared to commit myself.

380. *Mr. Rangasawmy Iyengar.*—Your position is, Mr. Jukes, that so far as correction is concerned it is wholly for the Auditor General who has presented these accounts as true and certified them to Parliament to say how he should rectify that error?

Mr. Jukes.—Exactly. As at present advised that is my position.

381. *Mr. Rangasawmy Iyengar.*—On page 245 in the appropriation accounts under the heading Underwriting and Brokers commission on issue of India's stock we find for instance that there has been an addition sanctioned to the original grant. We want to know why this additional sum should have been sanctioned?

Chairman.—The loan raised in England in that year was £20 million which was higher than the figure in the budget. So the underwriting expenditure was correspondingly larger.

Witness withdrew.

Mr. A. H. Lloyd, Member, Central Board of Revenue was next examined.

382. *Chairman.*—The first question we wanted to discuss with you is at page 155 of the appropriation accounts dealing with voted adjustments with Provincial Governments. There is an excess under this vote of Rs. 18 lakhs. We understand that this excess arose mainly—we have evidence from Mr. McWatters—out of the modification of devolution rule 15. The excess occurs mainly under Bombay and Madras. The question is whether it was not foreseeable.

A.—I am afraid that the Central Board of Revenue is not at the moment able to answer that question in connection with Bombay from its records. But the explanation in the case of Bombay is probably exactly the same as in the case of Madras regarding which the papers are more complete. The assignment to the Madras Government under devolution rule 15 was to be calculated on the figure of assessed income and consequently it was necessary to get the complete returns not of receipts but of assessed income. The revised income-tax returns of Madras for 1921-22 which contained the figures that were wanted were not received from the Commissioner of Income-tax until the 7th May 1924, that is to say, after the close of the year 1923-24. It was not therefore possible

to take any steps to obtain a supplementary grant during 1923-24. As the accounts of 1923-24 were open at the time it was decided to adjust the payment in that year's accounts.

383. *Chairman*.—Have any steps been taken to prevent delays occurring ?

A.—One of the measures which we hope will do a great deal to prevent a recurrence of that sort of delay is the increasing extent to which we are taking over direct charge of the work of assessment of income-tax. Many of the income-tax officers for the year concerned, 1921-22, were District Collectors, and that is perhaps the most important direction in which we can look for an improvement.

384. *Chairman*.—But would you agree that there is something wrong in the position as it stands, if you are not in receipt of the information on which your expenditure for the particular year depends until that year is over.

A.—Of course in this particular case, as I mentioned, the calculation being on the figure of assessed income it is not possible to hope that we shall ever have that figure until the next year. Our present arrangements secure that. Our Income Tax Report for 1923-24 contains the figures of assessed income and they were published at a considerably less interval.....

385. *Chairman*.—In time at any rate for the supplementary if required to be introduced in the following year ?

A.—Yes. I think we can be pretty sure it will be given in the next year in future cases.

386. *Chairman*.—There is another question, you are not in a position at the time when you are framing the budget, to forecast very accurately what the expenditure under this head would be because you are not in possession of the information ? Is forecasting very difficult ?

A.—If this is going to be paid in the following year, I think a fairly accurate forecast ought to be possible.

387. *Chairman*.—Am I right in saying that your expenditure for the year 1925-26 depends on the figures of assessed income for the year 1924-25 ?

A.—As I understand the position, when this was done, it was a new thing, and these figures had not been previously communicated. Therefore they had to be got out from past records. Now we know we want these figures and therefore they are readily obtained.

388. *Mr. Iyengar*.—I could not follow. Mr. McWatters was explaining that action could not be taken to obtain an additional grant so the Devolution Rule 15 was altered and you had to get the figures. I want to know what was the particular difficulty in obtaining this information in time so as to avoid this excess vote ?

A.—The particular difficulty was that the alteration of the Devolution Rules had not been foreseen, and consequently the information was not on record, and it had to be obtained by the income-tax officers in the various districts by going to the old records. Now we know that information will be required and a concurrent record is maintained which puts us in a very much stronger position.

389. Q.—Do you mean to say that even apart from any alteration in the Devolution Rules you had not this information in your possession ?

A.—Not in the particular form required.

390. Q.—Could you tell me what the delay was due to ?

Chairman.—We have already had an explanation I think.

391. Q.—Could it have been avoided ?

A.—I could quote the letter of the Collector of Income Tax if that would be helpful. There was a particular cause for delay which I did not mention, the method of preparation of returns was not properly understood.

392. *Mr. Iyengar.*—That is what I wanted to get at.

A.—If I might quote the letter, it is as follows :—

“ As you are aware the method of preparation of these statistical returns was not correctly understood in this Presidency in the past owing partly to the vagueness of the instructions issued by the Government of India themselves. It was only last year a real effort was made, after obtaining detailed instructions from the Central Board of Revenue in connection with the returns prescribed for 1922-23, to get subordinate officers to understand the correct method of compilation. The returns for 1922-23 were submitted to the Central Board of Revenue in August last and the revision of the returns of the previous year was then put in hand by Collectors and Income-tax Officers of the various mufassal offices ”.

393. *Chairman.*—The Committee desire to know why an additional grant was asked for in 1924 under the head Customs seeing the total expenditure fell below the original grant ?

A.—I think perhaps the shortest way of answering that without going in great detail into the figures is to say that the Government of India at that time was not properly served in the matter. When the cut of 4 lakhs was made by the Assembly, information was called for from the maritime Local Governments who were at that time administering the Customs Department for the Government of India, in respect of any probable savings or excesses. Certain statements were returned indicating probable savings of Rs. 97,000. Later in the year it actually happened that the savings became considerably larger, but information which showed that that was going to happen did not reach the Government of India from the Local Governments. Those are the facts of the case, and the Committee will want to know what we are doing to prevent that. I think, in the first instance, we are in a much better position now, being directly in touch through the Central Board of Revenue with the officers in charge of the department, and not working through the Local Governments. That undoubtedly removes one cause of delay in getting information. And the Central Board of Revenue has taken special action to secure that it will be in a position to watch expenditure throughout the year in order to make sure that estimated savings from time to time are brought prominently to their notice.

394. *Chairman.*—Can you state in more detail what arrangements you have got for watching expenditure from month to month?

A.—We call from the heads of departments for a quarterly statement of expenditure giving details of expenditure under the principal units, such units as pay of officers, pay of establishments, and so on. The statement indicates a running total which shows the budget estimate for the year, and it shows the officers' ideas at the time of probable excesses or savings during the year under the various units. We also ask, of course, for an explanation of these probable excesses or savings.

395. *Q.*—By what date after the close of each quarter?

A.—The time we have prescribed is five weeks from the date of the close of each quarter. We are now receiving these returns.

396. *Q.*—Are you satisfied that monthly returns are not necessary?

A.—Certainly in the first half of the year I think monthly returns would be almost a waste of time.

397. *Q.*—Are you satisfied five weeks is the minimum interval?

A.—That was the figure we worked out. If it is thought necessary, we could consult the officers concerned as to the possibility of shortening the time.

398. *Q.*—Would you not agree with me that the question is really one for the Central Board of Revenue, whether they think they are in a position to control their expenditure adequately and to meet the criticisms of the Auditor General and this Committee with the available information they have got?

A.—We will consider the question again.

Mr. Jukes.—These returns, which are presented to the Central Board now five weeks late, are they based on departmental figures, or on the Accountant General's figures?

A.—I think I am correct in saying on departmental figures.

Q.—They are not compared with the Accountant General's figures?

A.—That point has slipped my memory.

Q.—It is an important point if you are going to be judged by the Committee of Public Accounts on the Accountant General's figures, if the departmental figures do not agree with his.

A.—Our instructions do not lay down anything in connection with the Accountant General. Our instructions are to work on departmental figures.

399. *Chairman.*—Supposing there is a considerable adjustment, have you any information as to its likelihood, so that you could prepare for it in advance, as a charge incurred by some other department on your behalf for example? Do your arrangements provide for that being brought to notice?

A.—I think in most cases of that sort, the authorisation of the transfer would be within our own knowledge.

400. Q.—But the authorisation of the transfer may be given several months after the event?

Mr. Jukes.—There is another point, that the authorisation of the transfer may be given by the Collector of Customs. In that case is it brought to your knowledge? It is no good for the Collector of Customs to know what his liabilities are; it is for you to know what the liabilities are.

401. Chairman.—Have you any reason to suppose that there is any large difference between the actuals at the end of a particular quarter and the figures provided for you in these quarterly returns?

A.—We have not any reason to suppose that for the present. I have not come across any such case.

402. Mr. Iyengar.—You have not examined it to see if there is any?

A.—I will do that.

403. Chairman.—The point is that this Committee must hold the Central Board of Revenue responsible for watching expenditure, and the purport of our questions is to elicit the point whether you are satisfied that you are in a position to fulfil that duty?

A.—It would be very helpful to have hints given as to the lines of inquiry which we might pursue.

404. Q.—In other words whether such steps as you have taken are not enough?

A.—I will certainly look into that question of correlation with Accountant General's figures, and particularly the question of book adjustments.

405. Q.—Also as to whether the time by which you get these reports can be shortened.

A.—I think it is very unlikely we can shorten that very much. We might for some places, but not for the whole of India.

406. Mr. Cocke.—The third point is whether it is not desirable to have monthly figures for the second half of the year. Quarterly figures may be adequate for the first part.

A.—We will certainly consider that.

407. Chairman.—Page 22 of the Report. The Committee desire to have fuller information about the abolition of the posts referred to in the note.

A.—We did not possess that information in our records because at the time referred to the administration was in the hands of the local Government, but I have ascertained that the only posts abolished did not represent any considerable sum. The posts abolished were at Karachi. They consisted of four permanent and 13 temporary peons, and also a temporary reduction by six of the number of gate-keepers, who are men on perhaps Rs. 30 or 40 a month.

408. Chairman.—On page 24, at the bottom of the page, there is a deficiency of actual expenditure.

A.—We have no information on that point, Sir. In the Central Provinces the cotton excise duties are collected by the local Government on our behalf;

the Central Provinces Government who are our agents have not informed us that they consider that the officer could not do his work correctly on the amount of travelling allowance given to him.

409. *Mr. A. Rangaswami Iyengar.*—Have you any reason to think that this is more than is needed and if so will you see that more is not spent?

A.—I venture to think that that is a matter that really should be left to our agents, the Central Provinces Government, being one of administration pure and simple.

410. *Chairman.*—Coming to Taxes on Income, the Committee desire to know the reason why the additional grant was asked for ; you will see that the original grant was Rs. 58,93,000, and the expenditure was Rs. 58,16,000 ; but a supplementary grant was asked for and voted by the Legislative Assembly in February 1924 of Rs. 5,23,000, none of which was to all appearances required.

A.—The trouble here really was, Sir, failure on the part of the Board of Inland Revenue to keep in sufficiently close touch with the progress of expenditure ; the progress of expenditure at that particular time in the department was a very uncertain factor because it was just when a considerable expansion of direct administration, through income-tax officers relieving the local governments' staff of income-tax work, was taking place, and consequently proposals were made and money obtained in the view that during the year the process of re-arranging the work would develop to a certain extent ; for various reasons that development was retarded in different parts of the country ; consequently there were savings which earlier in the year it was not at all possible to anticipate. One must admit that the Commissioners of Income-tax might as the year wore on have kept the Board of Inland Revenue better advised than they did as to the progress of expenditure and then the anticipated savings would probably have been taken more fully into account before the Assembly was asked to sanction increased grants ; the Assembly were asked for increased grants for a different purpose, which partly explains the lack of correlation.

411. *Q.*—The statement which you have just made in regard to control of expenditure applies to income-tax now?

A.—Yes.

412. *Q.*—And you have taken steps to secure control and will note the observations that have been made?

A.—Yes.

413. *Dr. K. G. Lohokare.*—Has the whole of the income-tax administration been transferred to your department?

A.—We are still continuing the process.

414. *Q.*—In the case of districts which have not yet been transferred is it likely that these excess amounts will be found?

A.—Very unlikely, partly because we are watching expenditure much more closely and partly because we have done the biggest part of the job, and only an occasional district here and there remains to be taken over.

415. *Mr. A. Rangaswami Iyengar.*—At page 25, your original grant for Madras was Rs. 6 lakhs odd, the net grant sanctioned was Rs. 15 lakhs odd and the actual expenditure nearly 16 lakhs. I want to know whether you are unable to anticipate this increase of nearly 10 lakhs over the original grant made to you in March, and how it happened that you had to go for 5 lakhs of supplementary grant to the legislature and for $4\frac{1}{2}$ lakhs under the other head—‘modifications sanctioned by other competent authorities’?

A.—The excess expenditure became due under the head ‘payments to local governments’ for income-tax work done by their staff; that was not foreseen when the budget of the year was framed.

416. *Q.*—Could not this have been anticipated?

A.—I think it should have been to a great extent.

417. *Chairman.*—The Committee desire to know the reason for including a lump provision of Rs. $3\frac{1}{2}$ lakhs in the estimates for the reorganisation of the Income-tax Department in Bombay.

A.—The expression ‘lump sum’ is perhaps slightly misleading to this extent that the full details of the scheme for introducing special income-tax staff in districts in Bombay were worked out—the rates of pay and everything. The only question of doubt was at what date in the course of the year the staff would be introduced in the various parts. I have already mentioned that the Commissioner of Income-tax failed to keep the Board of Inland Revenue sufficiently well advised of the progress of that development.

418. *Q.*—Is your explanation complete, because there is a statement here that the full staff proposed to be entertained for which provision was made in the Budget was not sanctioned by the Government of India?

A.—That is not correct, I understand.

419. *Mr. Rangaswamy Iyengar.*—What do you attribute the savings to?

A.—To the date upon which the scheme was introduced.

420. *Chairman.*—Coming to page 29 of the Report, under Bihar and Orissa there was an excess which was not regularised during the course of the year by timely reappropriation, although a similar excess in the case of Burma was regularised.

A.—That was a mere oversight.

421. *Q.*—With regard to the Ghazipur Opium Factory (page 35 of the report) there is an excess of something over Rs. 80,000; that was not foreseen in time or covered by re-appropriation?

A.—We had to send for information on that point to the Government of the United Provinces who are our agents for the administration of the Opium Departments, and the reply we received was as follows:—

The actuals to the end of February, 1924, did not indicate a higher outlay than the amount budgeted for in the budget. The excess was noticed after the close of the financial year and was due to adjustment in the March final accounts of expenditure on account of freight and manufacturing charges under the head Ghazipur Opium Factory to the extent of Rs. 80,000. They

mention one single item here of Rs. 35,821 representing freight on opium returned from England in 1920, wrongly debited to Bengal in the first instance and adjusted correctly after the close of the year. That is all the information we have.

422. *Chairman.*—That is a case of adjustment of a kind which was not provided for by any method of control at the time?

A.—Yes.

423. *Q.*—Will you consider that your present method would prevent a similar recurrence? You are not in touch with the Accountants General?

A.—May I venture to suggest that a case of that kind could not have been foreseen by the Accountant General himself?

424. *Q.*—The freight at any rate you will know?

A.—It was debited in the books to the wrong department, and the mistake was only discovered after the close of the year. It was brought to the notice of the United Provinces Government.

Mr. Jukes.—That is a question of accounts. The whole point here is about the control of expenditure.

Mr. Kaula.—Whether this was adjusted at the proper time or not, it represents a liability of the factory and the officers in charge of the factory ought to have known that this was going to be a charge against their branch. Under your present system of watching the progress of expenditure would they be able to control such expenditure?

Chairman.—The factory officer could hardly be aware of this.

Mr. Kaula.—He ought to have known, Sir, that the stuff was being carried for him and he must have known that he would have to pay the bill at some stage.

Chairman.—I agree on the general point that the factory officer ought to know his liability so far as the actual expenditure is concerned.

425. *Chairman.*—Page 36 of the Report. There is a provision for expenditure in England of 27 lakhs while the actual expenditure was only Rs. 2,96,000. What is the reason for this reduced expenditure in England?

A.—The reason for that was that it was decided after the Budget had been prepared that the High Commissioner should bill the Local Governments direct for the cost of stamps shipped to our Controller of Stamps on their account instead of the cost of the stamps being first of all debited to the Central Government and then debited by the Central Government to the Local Governments.

426. *Q.*—Page 161 of the Report. Refunds under India. Have you any explanation of the reasons first of all for the large increase in the refunds over the Budget and secondly for the absence of a supplementary estimate?

A.—As regards the explanation given in the foot-note on page 161, we have of course given instructions to all officers under the Board that refunds do

require appropriation in all cases. That appears not to have been fully realised by the Commissioner, Northern India Salt Revenue.

427. *Chairman.*—There was, I think, a change of practice in the course of the year regarding refunds as voted ?

A.—I believe so. As regards the amount of the refund, that is the result of wide speculation. Our officers could not really calculate the amount, because it depends on the amount of speculation. Indents are put in for salt and merchants deposit the duty. Occasions arise when the duty deposited is in excess of the duty on the salt actually removed.

428. *Q.*—You are not in a position to frame satisfactory estimates ?

A.—It is not possible to frame accurate and satisfactory estimates of refunds.

429. *Dr. Lohokare.*—The original grant is Rs. 2,60,000. The excess is Rs. 3,47,000. It is more than 100 per cent. of the original grant.

A.—Payments of salt duty are quite erratic. This is illustrated by the fact that in the month of March, 1924, the first month after the duty was reduced from Rs. 2-8-0 to Rs. 1-4-0, the Northern India Salt Revenue Department collected Rs. 164 lakhs, which was more than what they collected in the previous 11 months although the rate was double.

430. *Chairman.*—These are indents for salt which will not be delivered for a year or 18 months ?

A.—Yes, and possibly many of them cancelled being speculative. Obviously, in this instance, it was speculative. During the previous March we had only 7 lakhs.

431. *Q.*—I think we should bring to the notice of the Department the importance of endeavouring to frame reasonable estimates in future.

A.—We will do our best, but it is very difficult. This is more like receipts than expenditure.

Mr. Kaula.—Do you get reports of progress of this expenditure also ?

A.—Yes, I think so.

432. *Chairman.*—The progress of this expenditure is being watched ?

A.—As I have just illustrated, circumstances may happen which make any progressive figures absolutely worthless. So far as we can, we watch.

433. *Mr. A. R. Iyengar.*—You mean to say that there is no use watching ?

A.—We are watching. But we must be prepared for serious mistakes or rather miscalculations.

434. *Chairman.*—There is an explanation on page 163 which says that the reduction is due to the transfer of the provision from "Voted" to "Non-voted" to which the charges were debited. We drew the attention of the

Accountant-General to the fact that it was not a very illuminating note. Can you explain it ?

A.—The only explanation I can give, Sir, is that the original budgeting of salt refunds in Calcutta as voted was a complete mistake. Practically the whole of the salt duty in Bengal is collected as a customs duty ; refunds are governed by Statute and are therefore non-voted. They should not have been budgeted as voted.

435. *Q.*—Non-statutory refunds are voted ?

A.—Yes.

436. *Q.*—Would you suggest that the difficulty could be removed by making salt refunds statutory ?

A.—I think that would be an excellent solution.

437. *Q.*—Is there any objection to that ? Have you considered it ?

A.—I do not think we have considered it.

438. *Q.*—Is it worth considering ?

A.—It is well worth considering. We shall certainly take that up.

439. *Q.*—Page 13 of the Audit report items (xvi) and (xvii). We would like to have fuller particulars. This was a case where a sum required to buy a boat was drawn on March 29th, 1923, but the boat was not delivered till June.

A.—These matters were disposed of by the Government of Bombay who are in charge of the Salt Department, Bombay. If the Committee desire, we will ask the Government of Bombay to give fuller particulars.

440. *Q.*—What particulars have you there ?

A.—We have the formal advice of the Government of Bombay that they had sanctioned these payments.

441. *Q.*—The statement is made there that “the receipt taken in the first instance was merely to avoid enquiries from the Audit Office.” Has any disciplinary action been taken ?

A.—The only action that I am aware of is what is mentioned in the Audit Report—that the Salt Officer was warned.

442. *Chairman.*—Does the Committee desire to follow this up ? Can you give us a further explanation ?

Mr. Lloyd.—The Government of Bombay were in charge and they disposed of these matters. It might perhaps help the Committee in deciding on the matter if I were to say that the proposal for transferring the administration of the Salt Department, from Bombay to the Central Government, is in an advanced stage.

Mr. Kaula.—The Government of Bombay had censured the officer and some months subsequently they withdrew the censure. That is the subsequent information obtained from the Accountant General, Bombay.

443. *Chairman.*—We found that the censure was subsequently withdrawn.
Have you any explanation?

A.—I have no explanation.

Chairman.—I think we had better have an explanation of this case.

444. *Chairman.*—Pages 101 and 102 of the Audit Report. You have there that a certain gentleman was appointed as an Assistant Engineer at Sambhar. That appointment was made without the previous sanction of the Government of India. There is also (g). These are cases of clear irregularity of a particular officer. Have you any information to give on these cases?

A.—The Commissioner of Northern India Salt Revenue has examined these cases very carefully with reference to the records. He reports that in his opinion there is not the smallest ground for suspecting that the officer concerned paid those officers on abstract contingent bills with a view to concealing their irregular appointments, that he had no idea that the appointments were irregular, and that therefore there was nothing to conceal. The facts clearly show that he honestly believed that the 23½ per cent. allowance for establishment and tools and plant was at his disposal for the employment of such staff as might be found essential. He asked for a suitable assistant from the Public Works Department and the Commissioner, Northern India Salt Revenue in supporting that request remarked that it was not necessary to find funds because the cost would be met within that allowance of 23½ per cent. for establishment and tools and plant. The Government of India were unable to obtain him an assistant from the Public Works Department and it was suggested that he should look out for a man himself. Then he found men and took them on and, possibly misled by the remark that it was not necessary to find funds to meet the cost of this entertainment, he proceeded to pay them out of the 23½ per cent. without getting specific sanction.

445. *Chairman.*—Your explanation transfers the blame from the Engineer to the Commissioner?

A.—No, Sir. The Commissioner's remark was correct. I have endeavoured to show that the officer may have misunderstood his remark. The Commissioner did not say that sanction was not necessary.

Mr. Kaula.—The officer was an officer of the Public Works Department?

A.—Yes.

Q.—He was not a junior officer?

A.—No.

Q.—Do you believe that the Public Works Department would condone the conduct of an engineer of theirs who engaged an officer on such a high rate of salary out of a lump sum grant?

A.—I am afraid I cannot answer that question.

Q.—Is it the custom of any department to pay officers' salaries on contingent bills? Is it the experience of any officer?

A.—With regard to payment on contingent bills I might point out that the Commissioner, Northern India Salt Revenue claims that there was a genuine

though mistaken belief that the payment of outsiders on contingent bills was correct. He also observes that the Accountant General Central Revenues did not raise any objection to such payment although details of the charges were given to him for some considerable time, so that they were allowed to continue in this misapprehension.

446. *Chairman*.—In view of the nature of these remarks on the action of this engineer I would like to ask whether it is not a fact that this particular officer was thanked by the Government for his services in regard to Sambhar ?

A..—His services were regarded as remarkably valuable to Government.

447. *Q.*.—And there is no question of anything except an irregularity which has been explained ?

A..—That is what I have been trying to show. He may have been cutting the Gordian knot rather too freely but he was doing it absolutely in good faith.

Mr. Kaula.—Are these the only irregularities that have been brought to light against this officer ?

A..—There are other irregularities that will probably come in next year's accounts.

448. *Mr. Rangaswamy Iyengar*.—I believe this officer was put on to carry out works worth about half a crore of rupees ?

A..—Yes.

449. *Q.*.—In regard to this expenditure of hal' a crore of rupees, not only have these two instances come to the notice of the Public Accounts Committee but several other instances which will probably come in subsequent years ?

A..—Undoubtedly.

450. *Q.*.—And how long has he been in public service ?

A..—I could not answer it.

451. *Q.*.—I dare say 20 years ?

A..—Probably.

Mr. Kaula.—He was an Executive Engineer when I inspected his office in 1912-13 in the United Provinces.

To Chairman.—He has now left the service.

452. *Mr. Rangaswamy Iyengar*.—He retired and you re-engaged him when this sum was put in his hand and he simply went on cutting the Gordian knots.

A..—I think he had a misconception of the amount of control, the extent to which he ought to bring his work under regulations and he thought he had a freer hand than he really had.

453. *Q.*.—However valuable his services may be he threw all the financial rules to the winds in expending money ?

A..—That is perhaps an over-statement.

454. *Sardar V. N. Mutalik*.—Is it desirable to re-engage such officers who have retired from service ?

A.—I do not think it is correct to say that. He has retired since completing his work. He had been on military service. I think I am correct in saying that his connection with the Public Works Department was only interrupted by military service.

455. *Q.*—He was expected to know all the financial rules ?

A.—Of course, the ordinary experience of the Public Works Department was not quite parallel with the kind of work he was put on to do. I am afraid the officer had left before the Central Board of Revenue came into existence.

456. *Chairman*.—Was he relieved of his responsibilities at a stage when this fact of his affection for cutting Gordian knots too freely was brought to the notice of the Northern India Salt Commissioner ?

A.—I am sorry to say that the most important matters are those which are now under investigation and which as I have mentioned will probably come in next year's report, and I have not studied the cases with sufficient care to answer that question.

457. *Q.*—My question is whether there is not reason to think from the information we have before us that the Commissioner, Northern India Salt Revenue did not exercise such control over this officer as he should have done. I do not want you to answer it. The question is open.

(Witness did not answer).

458. *Mr. Rangaswamy Iyengar*.—May I take it that the question of disciplinary action as against this officer or of any action as against any superiors who ought to have controlled his actions will be reconsidered when the other matters which are now under investigation will be reported to the Public Accounts Committee next year ?

A.—Undoubtedly the case will be considered when the matter comes before the Government of India.

459. *Q.*—On the question of disciplinary action we have yet to await further report ?

A.—Yes. The present is a comparatively minor matter in a way so far as the amount of money concerned goes.

460. *Chairman*.—The last point is the very important one raised in paragraph 29 of the letter of the Auditor General to the Government of India on the insufficiency of audit of the receipts of the Customs Department. The Auditor General says, " Serious irregularities have come to light at all Customs Houses, and in Calcutta frauds have been perpetrated on the revenue which are more serious than any which have occurred in the Department for a generation past. I know of no branch of Government activity in M120Fin

which there is more need for an improvement of the system, and organisation of internal check, than in the Customs Department." What do you say.

A.—With regard to those last words I am sorry I do not see eye to eye with the Auditor General. It is quite possible that other departments might be in a worse position, and that it is only because this department alone is subjected to an audit of receipts that the need for improvement has come to the Auditor General's particular notice.

461. *Mr. A. Rangaswamy Iyengar*.—The Auditor General looks into the accounts of the provinces, land revenues for instance and he ought to be able to judge between the different departments.

Mr. Jukes.—The answer to Mr. Lloyd's remarks is quite obvious, that the scope for malpractices in the customs is o much greater than it is in any other part that it is far more essential that there should be an improved staff.

462. *Chairman*.—Mr. Lloyd, you will have to produce a better defence than that.

A.—That is not by way of defence. I said that only with regard to the particular sentence of the Auditor General's letter.. I am not attempting to make it a defence.

As regards the general question the Auditor General and the Central Board of Revenue have had discussions regarding the system of internal check in the Department, but I think it was agreed that the first direction on which money when it became available for improving arrangements should be spent was in improving the executive work, and also so far as the existing internal check or internal audit was concerned, in making it efficient upon existing lines. When that has been done the time will come to proceed further with measures which we have discussed for future lines of action, such as having the internal audit of the Department directly under the Central Board of Revenue. But developments on those lines are going to be expensive and we had a certain amount of doubt as to whether we should be able to get very large sums out of the Assembly. Therefore we felt it desirable first of all to go for improving the efficiency of the staff on existing lines. Reference is made here to frauds. With regard to the frauds mentioned here it is my own definite conviction that there is a far less chance of that particular kind of fraud being detected by audit than by an improved supervising staff.

Mr. Jukes.—That is internal check.

A.—What we want is improved staff in those departments which we regard in the Customs Houses as being the executive departments themselves, and not those which we call the audit departments. My reference was to reorganising those particular audit departments. As regards the internal check, which is to be obtained by improving supe vision, we have largely used the facts of the unfortunate events in Calcutta as an argument for inducing the Assembly to allow us to give a considerable increase in the staff at that port. During the last year we have increased the number of appraisers by 8, and we

have also strengthened the clerical staff of the appraising department at Calcutta. We have also had to ask the Assembly to give us funds for increasing the staff of appraisers at various ports. Then another very important point in connection with the supervision of work is to keep Collectors of Customs fully supplied with an adequate staff of Assistant Collectors. Until recently it could not be claimed that the Government of India had done that, but during the last year we have obtained permission to make arrangements to fill vacancies when men are on leave by officiating appointments so as to keep that particular portion of the supervising staff up to its full numbers during the year, and I personally attach great importance to that. Take a Customs House like Calcutta. Hitherto, even apart from one dark period during the war, when I was myself in sole charge of appraising as Assistant Collector, and had to take charge of the Preventive Department as well, the shortage has been very acute. Hitherto we have often not been able to have more than one man in charge of appraising. I think at least two are necessary there if it is to be possible for Assistant Collectors to do the amount of departmental supervision which they should do in the course of their work. I referred just now to the increase in the number of appraisers. That is of course increasing the purely executive staff, but it also includes an improvement in supervision because we have provided for some additional appraisers for supervising the work of the examining officers on the jetties and on the wharves.

Now if I might turn to our existing internal audit departments, that particular form of internal check which is concentrated in a department that scrutinises documents after the transactions are complete, we have asked and obtained the Assembly's permission to make considerable improvements in the staff which we employ for that work. The audit department of Calcutta has been increased numerically by 14, that at Bombay by 8 during the last year, and we have also taken great care to see that we get an adequate proportion of upper-division men assigned to this work.

463. Sardar V. N. Mutalik.—Is it a fact that the frauds in the Customs Department are due to want of disciplinary action? That you do not take proper disciplinary action?

A.—As the result of the particular frauds mentioned here,—I cannot remember the exact numbers—three or four appraisers were dismissed and four or five examining officers were dismissed from the service. The cases were such that it was not possible to prosecute them in the criminal courts.

464. Q.—Is proper control exercised? Because I think control by the Audit Department is not proper control over a department like the Customs Department?

A.—I have been trying to say that we have concentrated on improving the control in the executive department.

465. Chairman.—I think I am right in saying, Mr. Jukes, that the decision was not to demand an increase in the audit staff, but to call for an increase of the kind Mr. Lloyd was mentioning?

Mr. Jukes.—We might want both, but the main point dealt with in this paragraph was the internal.

466. *Dr. Lohokare.*—Have you made any estimate of the excess grant which you require for the improvements you require ?

A.—We have not worked out future schemes on a somewhat larger scale.

467. *Mr. Ahmed Ali Khan.*—Do you think merely having a larger number of appraisers would improve the position ? Or is it an improvement in the quality of the men that is wanted ?

A.—It is difficult to find better sources for recruitment than we have. If we use our existing scales of pay properly, we ought to be able to get a good quality of appraisers. In my opinion there has been too much willingness to keep the more subordinate staff contented by promoting them as a matter of routine to the appraising department. On that the Central Board of Revenue has already expressed very strong views to the Collectors of Customs. But I think the rates of pay are adequate to attract the right stamp of man if a considerable proportion of direct recruitment is made. That is the end towards which we are working now. I also mentioned that appraisers themselves do a certain amount of supervising work in connection with the work of those under them, the examining appraisers or examining officers as they are called.

468. *Dr. Lohokare.*—Is there any system by which you are examining the accounts ?

A.—The frauds were not accounts frauds ; they were appraising frauds. There were two kinds of cases, first where appraisers were in touch with particular importers and in return, as we believe, for bribes, they assessed values on goods at rather below what was the correct value. That is not an accounts matter. Integrity in supervision and immediate watching or checking by men who possess expert knowledge is what the Auditor General wants as one of his proposals.

Mr. Jukes.—You say accounts check, but is the general scrutiny of accounts by experts a thing which leads up to detection in these particular cases ?

A.—In these particular frauds I beg leave to doubt if any audit department or checking department, working after the assessment takes place, and not working on the spot as now proposed, could possibly detect the mistake. Market values vary.

469. *Chairman*—*Q.*—Does the separation of accounts and audit affect this question ?

Mr. Jukes.—To a certain extent on the expenditure side it affects Customs, but the expenditure side of the Customs work weighs in the financial scale little compared with the revenue side.

470. *Chairman*.—It does not really touch this ?

A.—It does not really touch revenue.

471. *Chairman.*—Summing up, your answer is that you have taken some steps to strengthen the department, especially the supervision, and increased the number of appraisers with a view to improve the internal check, but that you have not yet taken any steps to strengthen the audit staff ?

A.—We have taken steps to strengthen but not to reorganise the audit staff. We have strengthened it very considerably as I mentioned.

472. *Q.*—Would you say you are generally satisfied that the steps you have taken are sufficient to meet the Auditor General's criticisms ?

A.—No, I could not say that ; I think this is a matter where there is almost unlimited scope for improvement. It is a question of balancing how far one is justified in asking for the money.

473. *Chairman.*—Is it only a question of additional money for additional staff ?

Mr. Jukes.—From my point of view I would say no, I think improvements in the system are possible.

474. *Chairman.*—Is the question of improving the system under consideration ?

A.—That is under discussion.

475. *Mr. Rangaswamy Iyengar.*—Would not a proper system of studying varying receipts from time to time by the proper accounts officer disclose to you the manner in which the frauds are done ?

A.—Not if the frauds are carefully done.

476. *Q.*—Would not a more efficient set of people in charge of revenues be able to prevent these wholesale frauds occurring ?

A.—I think it is exceedingly unlikely ; I think almost impossible. Would you not agree, Mr. Jukes ?

Mr. Jukes.—I think if you could get a man who was an expert both in accounts and customs matters, he would know the points to which to direct his attention and to watch, and if he made his examination quickly enough after the event he might detect the fraud.

A.—These frauds were detected after information and led to the dismissal of the officers.

477. *Dr. Lohokare.*—Do you transfer these officers ?

A.—Not from port to port.

Chairman.—I do not think we can get any more information from Mr. Lloyd.

(The Committee then adjourned.)

Evidence taken at the eighth meeting of the Public Accounts Committee held on Friday, the 14th August 1925, at 3 p.m.

PRESENT :

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN

Sirdar V. N. MUTALIK

Maulvi Syed MURTAZA S heb Bah.dur

Mr. A. RANGASWAMI IYENGAR

Mr. M. WEBB

Mr. H. G. COCKE

Kumar GANGANAND SINHA.

Members.

SIR DENYS BRAY, Foreign Secretary, examined.

478 *Chairman.*—The Committee understood, Sir Denys, that you wished to put before them certain facts in connection with the loss of money described in paragraph 3(ii) of the Audit Report of the Accountant General, Central Revenues.

A.—The position really is this, that the audit report as it stands, though taken from extracts from our files represents, on the whole, one of our officers in a very unfair light. Aspersions have been made against Sir Armine Dew which are entirely undeserved. The facts briefly are these. Fort Sandeman is a little tiny bazaar in the north of Baluchistan, south of Waziristan, 160 or 170 miles away from the railway, peopled by a lot of petty traders who serve the needs of the small garrison and the needs of the surrounding tribes. As the committee may imagine, even in the best of times there's some difficulty on our part in keeping a small Hindu community like this cut off by 160 miles from the railway contented and happy and doing their work. In the Afghan war in June 1919 there came down upon Fort Sandeman a horde of Afghans, tribesmen from Waziristan and—I am sorry to say—our own tribesmen too. The garrison was so small that it was unable to defend the whole town, and a large portion of the bazaar was burnt to the ground, ransacked and a lot of Hindus were left homeless and very much on the road. Now, Sir Armine Dew who was Agent to the Governor General at the time had the very difficult task before him of restoring confidence in the Zhob. It had been overrun as I say by the enemy; the bazaar was in ruins and ashes and everybody thought that the government was going to abandon Fort Sandeman; there was a general lack of confidence. The poor Hindus lost their all, and they would not, without outside help, have thought of trying to resettle themselves in Fort Sandeman. In these circumstances Sir Armine Dew said to Government "I want you to give me one lakh of rupees." Now, apart from red-tape business what he meant to say was this: "Give me a lakh of rupees and I will rebuild the bazaar, I will get the Hindus to reopen their business and you will be saved firstly, an expensive expedition in restoring confidence because the fact that we have got the bazaar going again will be a sign to the outside world

that we mean business and we do not mean to budge". He said further " You need not be afraid of your money ; I only want one lakh now which I shall get later out of the tribesmen who were responsible for this business ". Well, the bazaar was rebuilt ; some of the money was handed over to the Hindus themselves to rebuild their houses—some of it was given by government agency ; the Hindus went back—the Hindus who had lost not one lakh but about 4 to 8 lakhs of rupees went back, set up again and the bazaar is now in being. Confidence was restored and we were spared that expedition in Zhob which at one time I myself thought would be inevitable. In other words from our point of view, from the only point of view of men of action, Sir Armine Dew's policy was not only extremely sound but of great value to government.

Now what happened was this : Sir Armine Dew sent in a telegram (as Sir Basil Blackett has said—and this is one of the few things on the file with which I am in agreement—Sir Armine Dew is a much better frontier officer than an accountant) : to say " Kindly authorise me to draw from the treasury one lakh as an advance without interest to enable Fort Sandeman Bazaar to be rebuilt. Amount will be recovered in instalments from the tribesmen concerned."

The Finance Department who could not realise that a man like Sir Armine Dew could possibly send out a proposition which was not on all fours with the Accounts Code rushed to the conclusion—God knows why—that what he wanted was an advance to be given to the Fort Sandeman Local Bazaar Fund—some piffling little fund that had been started there ; and by some extraordinary manner of means they thought this bazaar fund was going to be credited—surely against all accounts codes—with a lakh of rupees to be recovered hereafter from the eirng tribesmen, chiefly Afghan. So the amount was given on those terms : the advance was apparently given against this extraordinarily little bazaar fund, and eventually everything would have gone on all right—only unfortunately we found that we could not recover any money from the tribes, for three reasons : We could not recover from the Afghan tribes who were the main culprits because government had made peace with Afganistan and we had omitted this item ! we could not recover from the Waziristan tribes because we were then engaged in a long and most expensive punitive expedition against the Mahsuds and Wazirs and they were being punished so heavily that obviously no more money could be got out of them. There remained a small fraction of the local Zhob tribesmen, and for variots causes—scarcity and what not—we found that we had to wipe off the 20,000 or 30,000 rupees that we proposed to put in fines on them.

I hope I need not go on further ; there have been curious misunderstandings in this case. Then, when Sir Armine Dew had left, his successor was called upon by the Finance Department to explain. He replied that in effect it amounted to an advance to the tribesmen to pay off the damage done to the bazaar. It was an inadequate explanation and—I am ashamed to say—it was swallowed in our office. Then when we found out the facts another misunderstanding arose ; we came to the conclusion that Sir Armine Dew was not only not to blame but had done extremely well ; we sent over our file to the Finance Department ; we all thought they agreed that as no blame rested on Sir Armine Dew the matter would be passed on to the Accountant General,

Central Revenues. For some reason they did not so pass it on and the result is in this report here. What I would like the Committee to do is in their minutes or otherwise to record the fact that they have heard me and that they are satisfied that no blame whatever attaches to Sir Armine Dew.

479. *Chairman*.—What you say of course will be part of the evidence.

A.—I am most anxious that it should be part of the evidence; I do feel this very strongly. Here is a man who has been an extraordinarily good frontier officer but who is very bad at self-expression. I never saw a man who was so bad at expressing as himself. I was not here at the time—otherwise I would have asked him “What exactly do you mean?” I would say this, and this is the one point I want to make: it is quite clear to me that had Sir Armine Dew wired in to say “What I want is a lakh of rupees to rebuild the bazaar; you may never see a penny of your money again, but I want it and I must have it; and if you do not give it you have got to face very much larger financial consequences.” I have not the slightest doubt that, hard-hearted as the Finance Department is, they must have found the money.

All I want out of this long rigmarole is just a statement in your minutes to say that you have heard the facts of the case and you are satisfied that no blame attaches to Sir Armine Dew.

480. *Mr. Iyngar*.—I am quite satisfied on the statement of facts that you have made that this frontier officer only committed a mistake in asking for a loan and that he should have asked for a grant; the committee take that, but what we want to know is why you should blame the audit officer for exercising his obvious duty; there is a statement made here: “When the late Agent to the Governor General asked for sanction of the Government of India to the loan in 1919, he should have clearly explained his intentions and had he done so it is extremely doubtful if the Government of India would ever have agreed to the loan.”

A.—That is, if I may venture to say so, a misstatement of opinion; I am sure the Government would have given it.

481. *Sardar Mutalik*.—*Q.*—I want to ask you what was the original intention when the advance was made?

A.—The original intention of Sir Armine Dew was this:—The Hindus themselves could not have built and would not have built their houses; he wanted to get the money into his own hands to make his own arrangements for the rebuilding of the bazaar and he was saying to Government what after all the British Government said to the British people “Never mind; reparations are coming; reparations will cover all this.”

482. *Q.*—Did he really expect the tribesmen to pay up all this money?

A.—I myself was not here at the time; but certainly at the time we were carried away with the same optimism that seized England and the whole of Europe.

483. *Q.*—May I know how many times you have succeeded in getting reparations of this sort?

A.—It is a weekly occurrence. Sir Armine Dew really said “Advance me the sum.” If you know Sir Armine Dew as well as I knew him, you would have known there was a lot of virtue in that “me.”

484. Q.—All along it was your intention that it was a loan ?

A.—I believe it came to our notice in 1923 that the whole thing was based on a misunderstanding.

485. Q.—It was a case of misunderstanding ?

A.—Entirely.

486. Q.—I hope you have taken steps to remove any misunderstandings and that you have instructed your officers accordingly ?

A.—Yes.

487. *Mr. Ahmed Ali Khan.*—Why did you not succeed this time in recovering the money from the tribesmen ?

A.—I have tried to explain. Of the three culprits, one was Afghanistan ; we made peace with Afghanistan and in making that peace we unfortunately forgot this little incident ! Then there were the Mabsuds and Wazirs of Waziristan who at this time and for many years after were subjected to very severe punitive expeditions. There remained the local tribesmen who had had a series of seasons of scarcity ; they had only to pay 20,000 or 30,000 rupees and we found that it was not advisable to continue the campaign against them and that we should have a clean slate.

488. Q.—What time did you discover that this amount could not be recovered ?

A.—I believe it was in 1923, but I am not quite sure ; Mr. Rau has a wonderful memory, I believe, and he could give the information.

489. Q.—Was there any suggestion in the Agent to the Governor General's letter that this money should be given in the account of the Bazaar Fund ?

A.—No, not the slightest ; I may say it was a bright mind in the Finance Department that first thought of it.

Mr. J. E. Jukes.—I only want to make one remark. I suggest that Sir Frederic Gauntlett merely made this particular item a peg on which to hang the suggestion with regard to action being taken against pensions of retired officers. I think I am perfectly justified in saying that I do not think Sir Frederic Gauntlett intended to suggest that this particular action should be taken in this particular case. He chose it as a peg on which to hang the general remark merely. The other thing that I wish to add is this, that if I had had to make this suggestion I should not have chosen this particular case on which to hang it—a case in which two departments were at least as much to blame as the Chief Commissioner. The Finance Department might have known, but the department which ought to have known, was the Foreign and Political Department.

Sir Denys Bray.—If I had been the Head of the Department then, we would have probably known.

(*Sir Denys Bray withdrew.—Mr. Copeland, Revenue Commissioner, North West Frontier examine ?*).

490. *Chairman.*—Let us begin with the savings and excesses on page 166 of the Report (total Budget 102 lakhs, total expenditure 96 lakhs). Is there any general explanation of the saving continuing ?

Mr. Copeland.—Yes, to a certain extent I think there is—to a lay man like myself perhaps the accounts in columns 4 and 5 are in a particularly unintelligible form. Column 4 represents various lump sum grants—as a matter of fact it does not represent all the economies which were made in the frontier budget on the recommendation of the Retrenchment Committee. Where it was not possible to reduce expenditure by that amount, reappropriations were made within the province and it is these figures in column 5—they actually represent reappropriations.

491. *Chairman.*—What we are interested in mainly are the savings in the last column—what is the explanation of considerable savings as compared with the grant?

A.—I wish to point out that column 4 does not really represent additions in that way. The addition to the whole budget was only Rs. 32,000. It was mainly an effort to make savings on other sub-heads.

492. *Chairman.*—The saving of Rs. 64,000 under the land revenue head—really Rs. 81,000 as compared with the original grant: was it due to underestimating?

A.—I do not think so. The settlement started late in the year. The settlement officer took over on the 1st September 1923. In the Punjab there is a permanent settlement Department and every settlement is done by a trained settlement staff. Our settlement officer had to work up his own staff and realised that it was useless recruiting up to the full strength of his staff: that explains the large saving in establishment.

493. *Chairman.*—In Head No. 8—Forests, there was a saving as compared with the grant. Can you give an explanation?

A.—That was with an idea to economy. The Frontier Province do their own exploitation. When the timber market collapsed, they decided to cut down operations very largely instead of cutting a lot of timber which they could sell at very little more than the working expenses.

494. *Chairman.*—Taking the savings as a whole, they really represent attempts at retrenchment following the Inchcape Committee's recommendations?

A.—Yes; for instance, one of the fairly large items was putting off the revision of Munsifs' salaries.

495. *Sardar Mutalik.*—Have you any general information as to how you effected those cuts following the recommendations of the Retrenchment Committee: did you save for the year, or did you make permanent savings? I understood from the statement that you made that you made cuts only for the year.

A.—To some extent I am sorry to say the savings are still permanent. For instance, as regards education, we closed in the one year no less than 125 schools. Very few of them have been reopened yet. Under Veterinary, for instance, I am sorry to say Government, or rather the Local Boards who get grants-in-aid, could not afford to go on keeping stallions and bulls—

they were made over to wealthy Zamindars. The result is that most of them have since died.

496. *Sardar Mutalik*.—I should like to draw your attention to forests : it was not a permanent saving ?

A.—The Retrenchment Committee so far as I am aware did not make any cut under Forests. The cut under forests was a saving for that year only. The bulk of it was economy in their own operations. When the timber market is favourable, it is a paying proposition ; when it is not, it is much better to drop the thing for the year.

Chairman.—For the year it was a good economy although not a permanent one.

497. *Kumar Ganganand Sinha*.—What do you say about police, is it permanent ?

A.—To a certain extent it is permanent—for instance *re* special guards on railway trains, and so forth, but on the whole it is not a permanent saving.

498. *Q.*—You do not anticipate any great fluctuation in the near future?

A.—No, I hope not.

499. *Chairman*.—Can you give us an explanation of the saving of Rs. 54,000 in the superannuation grant ?

A.—That is I believe largely an accounts matter. As a rule the Frontier Province is largely a creditor province. The Accountant General is still wrestling with those figures. As a matter of fact it usually receives a credit of Rs. 40,000. Rs. 52,000 were transferred to another head. It was purely an accounts matter.

500. *Chairman*.—I see that it is mainly due to a deduction, from the total, of the charges debitable to the irrigation department. Turning now to the remark on the top of page 171, could you explain to us what is the system of control over progressive expenditure now in existence ?

A.—The fact is that certain recommendations which the Auditor General made in November 1923 did not come into force till the 1st April 1924 so that in this year the Heads of Departments were to a certain extent ignorant of what savings there would be towards the end of the year.

The new system is exactly in accordance with the recommendations in that letter of November 1923, that is to say the disbursing officers send in monthly statements by the 7th of each month. The Head of the Department watches the expenditure month by month. A consolidated statement goes to the Accountant General and the two sets of figures are reconciled, so that there ought to be a great improvement during 1924-25, and 1925-26 ought to be working nicely.

501. *Q.*—Does that come up to the Foreign and Political Department here ?

A.—I think the Chief Commissioner corresponds direct with the Accountant General.

Mr. Higgs.—The question of it coming up to the Foreign and Political Department is now under consideration—it will probably come up to the Department.

502. *Sardar Mutalik.*—From the point of view of control, are there definite steps taken?

Mr. Copeland.—A. Expenditure is carefully watched now. I myself wrote to a certain officer asking him to let me know at once the absolute minimum with which he could carry on till the end of the year by the 7th of each month.

503. *Mr. Rangaswamy Iyengar.*—Has your attention been drawn generally to the large number of cases of irregular expenditure reported from the North-West Frontier Province, and if so have you taken any special measures?

A.—I am afraid I have not read the Audit Report. I was told I was going to be examined on the Appropriation Report. If you give me one or two instances, I shall try to answer the question.

504. *Chairman.*—There is a suggestion made by the Auditor-General that a separate accounts office should be opened at Peshawar in the North-West Frontier Province. Have you any views on that?

A.—The Chief Commissioner was not informed as a matter of fact that this subject was coming up and I therefore could not take his instructions. This very proposal was very strongly pressed in 1921 when Mr. Dewar was Accountant General and the proposal went so far that the strength of the staff was fixed, site for buildings was asked for and so on. Then it was suddenly dropped in 1921. My office file does not show why it was dropped.

Mr. Jukes.—There was no money available for buildings.

505. *Sardar Mutalik.*—About budgeting, we find that generally the budgeting of the North-West Frontier Province is not properly made. There is always over-estimating. I base this on the year we are considering and also on the last year. Have you taken any steps to see that the budgeting will be properly done next year?

A.—So far as I know, the budgeting is based on past actuals. As a matter of fact, in one or two instances here, figures are still being reconciled.

506. *Sardar Mutalik.*—There are many instances of over-budgeting. Last year I noted that there were a number of instances in the Frontier of over-estimating expenditure?

A.—If I am given specific instances, perhaps I may be able to suggest the answer.

507. *Chairman.*—So far as these two years are concerned, we have the general explanation. It was the expectation of the Inchcape Committee in one year and the result of the Inchcape Committee in the next. The voted sum for the Frontier in 1924-25 was 109 lakhs and the Revised Estimate 107.

lakhs—that is a difference of about 2 lakhs in a total of 109 lakhs. It does not seem to show any tendency to over-budgeting.

A.—The Province would be delighted to spend its full budget. We suffer severely in education and veterinary.

Mr. Iyengar.—In this case you ought to have spent up to the maximum of the grant.

508. *Chairman.*—So far as Education is concerned, they did spend considerably over the amount of the grant by making economies in other directions.

The next question arises on page 308 of the Report. This is a general question. The Committee desired that a representative from the North-West Frontier Province be asked to give particulars about the reserve grant and why provision was not made in the budget.

A.—I do not know whether it would be in order, Sir, in remarking that this is a non-voted item. Does that make any difference?

509. *Q.*—No. We noticed that fact.

A.—This was a matter of 16 companies for Waziristan. As a matter of fact details were furnished to the Accountant General's office and we are still trying to find out why they were apparently not passed on.

510. *Q.*—What we are concerned with is not the purpose of the expenditure, but why it appeared in the form of a lump sum?

A.—That is also what we are trying to find out. Details were prepared and sent to the Accountant General's office on the 4th of October 1922 which ought to have been in good time presumably for the budget.

511. *Q.*—I do not think Mr. Copeland is in a position to take you further. The point should be elicited from the Accountant General or the Finance Department?

A.—The Committee may like to know that I have here all the details, British Officers, 16 companies, 110 men, so many subadars, jamadars, havildars, so many sepoys and so on, clerical establishment, transport, medical, menials, artificers, clerks, allowances, supplies and services.

512. *Chairman.*—In view of the explanation, we must ask the Accountant General or whoever is responsible about this.

Mr. Jukes.—If you have got the full details, had those details been sanctioned by the Government of India? It is just possible that the Government of India was not prepared to sanction without further investigation but made a lump sum grant for the time being.

Chairman.—Mr. Copeland has given us all the information he can give.

513. *Mr. Iyengar.*—I want to know whether all this grant has been spent in the year, i.e., whether it was according to the estimates and the amount was voted and expended.

A.—No. There was a large saving, Rs. 2,28,000.

514.—Then saving was effected after the sanction was received ?

A.—I am sorry at the moment I have mislaid the exact date on which they were sanctioned, but it was fairly late in the year I know, and I remember personally the great difficulty in raising the companies at once. Naturally you cannot start recruiting men who have got to be paid month by month till you receive sanction, and I remember various militia going to districts to raise the companies ; and that is why it was not possible to get the full strength.

515.—May we know the exact amount sanctioned by the Government of India finally on this estimate ?

A.—The exact amount differs a little from the details I have got here, but only by a few thousand rupees. The item of Rs. 6,240 for instance, was added on the 21st of December 1922.

516. *Syed Murtaza Sahib*.—So far as the charges are concerned, could they not be curtailed ?

Chairman.—It is a non-voted matter ; we must not go into that side of the question. But I think we should ask whoever is responsible, either the Accounts Department or the Finance Department, to put in an explanation showing the reasons why a lump sum was granted in this case.

The witness withdrew.

Mr. Fitze, Deputy Secretary, and Mr. Higgs, Assistant Secretary, Foreign and Political Department called and examined.

517. *Chairman*.—The first question, Mr. Fitze, on which the Committee desire to examine you is with regard to pages 81 and 82 of the Appropriation Report. Can you give us an explanation of the excesses under to the heads "Bombay" and "Punjab".

Mr. Higgs.—May I answer that, Sir ? That portion of the Appropriation Report for 1923-24 relating to expenditure under the head "Education" under Bombay (page 81) relates to 2 items. Item (1), Government Arts Colleges refers to the Rajkot College, Bombay, while item (2) Direct grants to non-Government secondary schools refers to the Girasia School, Wadhwani. In brief explanation of the expenditure under (1) it may be noted that apart from the annual subvention made to the College by the Government of India Central Revenues bear the cost of the salaries of the college staff in the first instance recovering subsequently from college funds the excess paid from central revenues over and above the amount of the annual subvention. In the report for 1923-24, it will be noticed that the original grant was Rs. 10,000 and actual expenditure amounted to Rs. 30,310 giving an excess over budget allotment of Rs. 20,310. The sum of Rs. 10,000 represents the reduced annual subvention to the Rajkot College and the expenditure of Rs. 30,310 includes the amount paid from the voted portion of central revenues on account of the salaries of the college staff. Turning to page 258 of the same report, we find that there was expenditure from the non-voted portion of central revenues to the extent of Rs. 31,160 also on this college. No budget provision was made for this as whatever is expended is recovered from college funds. This seems to be the only instance in which non-voted expenditure on the College has been shown ; it does not appear in the previous Appropriation Report nor is it shown in the case of the Aitchison

College, Lahore. In the foot-notes under both the voted and non-voted expenditure the audit officer has referred to recoveries made in respect of the year 1923-24. Turning to the Appropriation Report dealing with the accounts of that year we find that there was an excess of Rs. 35,706 and this was said to be due to the non-recovery in full during that year from the college funds of the amount paid from central revenues in excess of the annual subvention. The excess for that year and also for the year 1923-24 under both voted and non-voted have, however, now been fully met by recoveries from the college funds, e.g. the excesses were Rs. 35,706 in 1922-23 page 76 of report for 1922-23.

Rs. 20,310 in 1923-24, voted, page 81 of the report for 1923-24.

Rs. 31,160 in 1923-24 (non-voted) page 258 of the report for 1923-24. Total Rs. 87,176.

Recoveries under voted and non-voted in 1923-24 were Rs. 34,068 and Rs. 57,908 respectively, totalling Rs. 91,976. This seems to show that not only has the whole of the excess expenditure from central revenues been met but that there is a balance over in favour of Government of Rs. 4,800.

Mr. Fitz.—I think, Sir, that the thing to be done is to abolish this system of allowing the college staff to draw their salaries from Government funds and insist that they should be paid by the college fund in the first instance. I believe that other Chiefs' Colleges, i.e., the Mayo, Daly and Raipur Colleges, all have that system.

518. Q.—It would certainly save a great deal of trouble to the representatives of the Department, I believe.

A.—And to this Committee, I think.

519. *Chairman.*—Now we come to page 81. It is mentioned there "the excess for which no provision was made in the Budget was brought to the notice of the Government of India (Foreign and Political Department) which authorised the payment as one without appropriation."

Mr. Fitz.—The position was this. The original grant for Bombay was put down in a lump sum for these political colleges, one of which is at Rajkot and the other at Wadhwan. It was decided to reduce the Rajkot grant to Rs. 10,000. I think that was the figure. By an oversight we reduced the whole grant to Rs. 10,000, omitting to notice that Rs. 2,500 more ought to have been added for the Wadhwan college. The original grant should have been reduced to Rs. 12,500.

520. Q.—Does it really mean that you authorised the payment by re-appropriation from another head?

Mr. Higgs.—The excess did not come to our notice till after the close of the financial year, when reappropriation was not possible.

521. Q.—What really happened was that you informed the Finance Department that there was this excess and asked that it should be regularized?

A.—We put the position to them and said that we had by a mistake omitted to make this grant and the result was that the Wadhwan college could not get on without it.

522. Q.—It is the payment without appropriation that has puzzled us. What you really asked for was that it should be regularized?

Mr. Kaula.—The Accountant General, Bombay, informed us that the amount actually drawn by the Agent to the Governor General for the grant-in-aid against the Budget allotment was so much and he applied for orders in respect of the excess grant.

523. *Chairman.*—It is obvious that the payment had to be made. There was no question about that. We are merely drawing your attention to the fact that you cannot authorise a payment without appropriation. You may authorise the payment and ask that it may be regularized afterwards. Whose phraseology is that?

Mr. Fitz.—It is the Accountant General's phraseology.

524. *Chairman.*—The Committee desire to know generally the system of control of expenditure under the administration of the Central Government with which the Foreign and Political Department is concerned. The comment that we are inclined to make is that in nearly every case you have come up for a supplementary grant when actually it was not necessary because your original grant was not exhausted.

Mr. Higgs.—The Public Accounts Committee have asked generally for information in regard to the system of control of expenditure in areas under the administrative control of the Central Government as they found that the actual expenditure in these areas was in all cases less than the original grant while at the same time additional grants had been asked for from the Assembly at the close of the year.

At the outset it may be mentioned that the 1923-24 budget was the first budget after the Retrenchment Committee had finished its activities and that in this budget lump sum reductions were carried out by the Legislative Assembly. To meet these the local authorities were asked to effect reductions and the considerable savings which accrued may be attributed to the careful and restricted expenditure as a result of retrenchment and the lump cuts. As pointed out by the Public Accounts Committee there have been large savings in the budget for 1923-24 and yet additional grants were applied for from the Legislative Assembly. Each area demand has been examined separately in regard to this point and it has been noticed from the result of this examination that in a large number of cases the additional grants were not actually additional grants at all but reappropriations from non-voted to voted expenditure, i.e., that savings had been effected in non-voted expenditure and these were set off against the additional expenditure under voted heads which required the vote of the Legislative Assembly.

525. Q.—Have you examined the figures for any particular province?

A.—Yes. I have examined the figures as regards Baluchistan, Rajputana, and certain other administrations.

526. Q.—Take Baluchistan on page 187. Original grant voted was Rs. 26,83,000, supplementary grant voted Rs. 58,000, actual expenditure Rs. 25,82,000, which is a lakh less than the original grant. In spite of that fact

You came up for a supplementary grant of Rs. 58,000. Your explanation of transfer from non-voted to voted does not in any way explain this case. You had a surplus of a lakh over your original grant and yet you came up in February for a supplementary grant of Rs. 58,000.

A.—May I explain the items on which the sum of Rs. 58,000 was to be spent?

527. Q.—We had full explanations when the supplementary grant was presented and the Assembly was satisfied with those explanations and granted the money. But our question is: Why did you come up to the Assembly for an additional grant at all when you had a saving of a lakh of rupees from your voted expenditure already?

A.—Some of our local officers explained that they had no progress registers at that time. It has only now been introduced. They could not gauge the extent of their expenditure during the year.

528. Q.—You said just now that the system of keeping progress registers has just been introduced, does it apply to Baluchistan only?

A.—No; it applies to all our administrations, namely N.-W. F. Province, Baluchistan, Ajmer-Merwara, Rajputana, Central India and Hyderabad.

529. Q.—Are these progress reports sent to you month by month?

A.—No but we will be probably issuing instructions to that effect. We want monthly statements.

Mr. Jukes.—This is, Sir Frederic Gauntlett's scheme which we were discussing the other day. This scheme has been held up as far as the departments of the Government of India are concerned. I did not know that this system had been introduced in any of the Administrations. I am not sure if Sir Frederic Gauntlett is aware of it.

Mr. Higgs.—We have not yet received progress reports but we will receive them hereafter if certain rules which have been drawn up by the Finance Department and circulated to the other Departments of the Government of India for their remarks are issued. We have not yet introduced the scheme.

Mr. Kaula.—It has been introduced to this extent that the Chief Commissioner, N.-W. F. Province, now gets monthly statements.

A.—Yes, because he is the controlling officer.

Mr. Higgs.—We have not as yet made arrangements for any reports to be submitted to us. We are awaiting the issue of orders from the Finance Department.

Mr. Jukes.—I do not know whether Mr. Higgs is in a position to give information to the Committee as to how the system is working. Do you know to what extent it has been a success?

A.—I cannot say Sir.

Q.—Has it been working for a year?

A.—I think it was introduced from the beginning of 1924.

530. Chairman.—Are you in a position to say as to how far you have been able to reconcile the statement with the Accountant General?

A.—I have got a copy of the Auditor General's letter which we have sent to our local officers.

Mr. Jukes.—I wonder if you have already told the Auditor General that you have done it. It is a matter in which I am personally interested. Sir Frederic Gauntlett never mentioned this to me.

Mr. Kaula.—All I know about this matter is that my office regularly sends monthly accounts to the Local Administrations. Whether they get similar reports from their local officers or not, I have no knowledge.

531. Chairman.—Now we turn to paragraph 3 (iii) of the Audit Report. The Committee desired to have a full explanation of the case and to have information as regards the nature of the private funds referred to and to know whether there were any other funds of a similar description in the province.

A.—I received the request of the Public Accounts Committee very late on Saturday and since we have no information in our records in the Foreign and Political Department I wrote off immediately to the Agent to the Governor General, Baluchistan, to answer the Committee's inquiries. This remark applies to everything in this paragraph because we have no information about these matters.

532. Q.—Perhaps you will put in a statement when you get a reply?

A.—I will, Sir. The same remark applies to paragraphs 3 (v) and 3 (viii) of the Audit Report: information has been asked for.

Regarding the matter mentioned in paragraph 3 (ii)—motor car for water-supply investigating officer—I have to give the following explanation:

The matter has already been investigated by the Government of India: and from the letter of the 12th May 1924 from the Resident in Mysore it is clear that the Resident overlooked the necessity for compliance with the rules requiring provision to be made for expenditure in the year in which it is incurred. As a consequence of this omission adjustment became necessary in a subsequent year's accounts and renewed sanction had to be given. I might perhaps read the letter from the Resident in Mysore:—

"In the Foreign and Political Department's telegram No. 1017-Ext. B., dated the 6th April 1921, sanction was conveyed to the supply of a motor car to the water-supply expert at a cost not exceeding Rs. 4,200 and to a maintenance allowance of Rs. 100 a month, the car to be used solely for journeys on duty.

The car was purchased, but as no reappropriation could be suggested at the moment to meet the expenditure, the Municipal Commission, Civil and Military Station, Bangalore, were asked to advance the cost of the car, pending reappropriation.

Mr. Phelps left the station on the 1st December 1923, on transfer to Waziristan. During all this time, he was engaged in the investigations connected with the water-supply, and the necessity for the car continued so long as the investigations lasted.

Not only did the Municipality advance the cost of the car, but they also paid the maintenance allowance at Rs. 100 a month till the conclusion of the investigations undertaken by Mr. Phelps. It is regretted that steps were not taken by this office earlier to refund the amount of the advance for the cost of the car, and to charge the maintenance allowance to Assigned Tract Revenues.

The total sum advanced for the above purpose was Rs. 7,380. The Government of India in the Finance Department were asked, *inter alia*, to make an additional grant of Rs. 7,380 debit able to the Bangalore Assigned Tract revenues for the current year as no re-appropriation was found possible. The additional grant applied for was sanctioned in the Foreign and Political Department's memorandum No. 1541-A., dated the 19th March 1924.

The Municipality applied on the 21st December 1923 for a refund of the advance made by them. The car was sold for Rs. 700 by public auction on the 17th January 1924, and intimation of this was received in this office on the 7th February 1924. The proceeds of the sale have been credited to Government.

On the question of the sum for which the car was sold, which is the subject of comment by the Accountant General, Madras, I would observe that while the price of a new Ford Car was Rs. 4,200 in 1921, it has now dropped to Rs. 2,360 in Madras and this is an important factor in reckoning second hand values at the present time. The rate of depreciation of a Ford car may fairly be calculated at 40 per cent. for the first year and a further 10 per cent. to 15 per cent. for each year thereafter and on this reckoning the price obtained for Mr. Phelps' car which was in constant use over rough country roads for $2\frac{1}{2}$ years was not in my opinion abnormally low, especially when it is remembered that the purchase of a second hand car at public auction must be something of a gamble. In fact the Assistant Commanding Royal Engineer, Bangalore, considered that the car had realised rather more than its market value.

I agree that the hope expressed in Colonel Knox's letter No. 2515, dated the 11th March 1921, that it would be possible to sell the car at a small loss when Mr. Phelps had finished his work has not been realised; but it was then expected that the investigation would last only about six months, whereas it has been going on for the best part of three years and is not yet completed."

533. Q.—Would you not agree that an advance by the Municipality for those purposes was highly irregular?

A.—I am not in a position to comment on the action of a local officer:

534. Q.—Who controls these municipal funds ? Is it not the same individual as the local officer ?

A.—I do not think so ; I do not think we have anything to do with municipal funds ; they have their own budget.

Chairman.—Speaking for myself, I am satisfied with the statement about the price of the car.

Mr. Iyengar.—But we shall have to comment on the irregularity of the borrowing.

Witness then withdrew.

Mr. T. Sloan, Deputy Secretary, Home Department examine^t.

535. Chairman.—At page 59 of the Report, the Committee wish to draw your attention to the fact that a supplementary grant for Rs. 5,000 was asked for, while the actual expenditure was less than the original grant by about Rs. 57,000.

A.—The actual reason for that—I am afraid it is not altogether a satisfactory one—is as follows. Under the main head "Home Department" we have got the budgets for the Staff Selection Board and the Director of Public Information as well as the Director, Intelligence Bureau. Of this Rs. 5,000, Rs. 2,500 was required for the Staff Selection Board and Rs. 2,500 for the Director of Public Information's office. When these two officers came up to the Home Department for the extra grants the budget as a whole, I am afraid, was not examined. Their own particular budgets were looked at and as there was no prospect of any savings in them the Finance Department was approached for extra grants. That is the explanation of this.

536. Q.—Have you any system by which you watch the progress of expenditure throughout the year in connection with your vote ?

A.—We do watch our own department expenditure monthly.

537. Q.—That covers the whole Home Department vote ?

A.—No, Sir, it does not ; I am speaking only of our own department proper, not of the attached offices ; we have at present no system whereby we can watch the monthly or quarterly expenditure in those offices.

538. Syed Muricza Sahib.—Will you suggest any system ?

A.—A system has been suggested by the Auditor-General and is under consideration.

539. Chairman.—I think we may come to the general case ; that of areas like Delhi.

Mr. Sloan.—When some months ago we got a reference from the Finance Department enclosing draft rules which the Auditor-General had framed, we considered the subject and we have sent a reply to the Finance Department. We consulted both the Chief Commissioner, Andamans, and the Chief Commissioner, Delhi in connection with that, and they both replied that they had been

personally giving the subject careful consideration. The Chief Commissioner, Andamans, had himself introduced new rules and he desired that those rules should be given an opportunity of working. He gets a monthly return from each disbursing officer showing the amount of each grant, the amount expended during the month, the estimated amount required for the remainder of the year, and the amount still left in the grant. The Chief Commissioner, Delhi, had also been giving the matter his consideration. He thought that the Auditor-General's rules were too complicated for his subordinate clerical staff and also ill suited to the special circumstances of the grants at his disposal. He said that he had issued special instructions to disbursing officers to report expenditure under each head after 6, 9 and 11 months. These instructions had already achieved a certain amount of success though certain difficulties had become evident and still remained to be overcome. He reported further that he was making every effort to overcome these difficulties and he asked to be allowed to continue his system for another year at least, after which the Audit Department would be in a position to say if anything further was required.

Mr. Jukes.—So far as the Chief Commissioner, Delhi, is concerned, he is out of it altogether, as he is now in a position to know his expenditure from day to day.

540. *Chairman.*—It is fairly clear that the attention of the Government has been very prominently drawn to the necessity for some system of watching the progress of expenditure. They are working out various projects for securing that but are not yet in a position to report finally to this Committee what has been done. We have had a good deal of evidence from witnesses and we have drawn their individual attention to it fairly prominently. As regards census expenditure (page 93 of the Report), have you any explanation?

Mr. Sloan.—The whole position in regard to census expenditure is by no means very clear to the Home Department. The Home Department took over census at the end of the year 1922-23 from another Department, and we were engaged only in clearing up the very end of the census work. The reason for there being no original allotment to the Central Provinces was that the Central Provinces asked for none and the Census Commissioner was under the impression that the work in the Central Provinces was practically wound up. There was a considerable amount of misunderstanding between the Census Commissioner and the Finance Department. The Census Commissioner sent in an estimate, Rs. 1,17,000, for his Budget which included Rs. 62,000 for central expenditure and the remainder for provincial—in Madras, the Punjab and Burma. Owing to some misunderstanding the Finance Department included in the Budget a provision of Rs. 63,000 only, (practically the amount asked for the central expenditure) and then proceeded to make a lump deduction from that of Rs. 13,000 leaving the Census Commissioner only Rs. 50,000 which was the amount passed by the Assembly. The Retrenchment Committee had agreed to an allotment of one lakh for census work during 1923-24 and subsequently an extra allotment of Rs. 51,000 was made, but when the Budget was passed, the Chief Commissioner had not even sufficient funds for his central expenditure. He had then information that Madras, the Punjab and

Burma required funds; he had no information that the Central Provinces required any.

Mr. Kaula.—Would any expenditure be incurred without the knowledge of the Home Department, in any province?

Mr. Sloan.—Yes. The work was being finished up. Practically all this expenditure in 1923-24 was for printing reports.

541. *Chairman.*—Our experience this year and last leads us to the conclusion that it is desirable, before there is another census, that the system of controlling the expenditure should be improved. I do not think we can get much further.

542. *Chairman.*—Turning to page 105 of the Report, expenditure on account of the Imperial Police Service in the United Provinces. Fees realized from candidates in contravention of the ordinary rule on the subject. Will you please see the note at the bottom of the page and let us know if you have any explanation?

Mr. Sloan.—I was responsible for sending up from the United Provinces the proposal that we should meet the expenditure out of fees and remit the balance to the Central Government, and that was accepted in the Home Department with the sanction of the Finance Department. I understand that system is still in force. I see that as recently as January 1925, we issued a letter to all Local Governments which Finance Department saw before issue in which we explained that the fees paid by candidates are meant to cover not only the expenditure by the Local Government in conducting the examination but also the honoraria, and that the balance should be credited to central revenues.

543. *Chairman.*—I would ask Mr. Jukes whether he thinks this *prima facie* to be irregular.

Mr. Jukes.—I do, Sir.

544. *Chairman.*—It does not seem *prima facie* right accounting for these fees. The fees ought to be credited to the Central Revenues as the expenditure is met out of their funds.

Mr. Jukes.—I should be rather interested to know whether that particular letter of the Home Department was sent to the Audit Officer (no answer).

545. *Sardar Mutalik.*—May I know how the fees are spent?

A.—The Police examination unlike the I. C. S. examination is held at several centres and there is a certain amount of local expenditure connected with the examination. The Local Government has got to pay for contingencies, etc. The Local Government also supplies the necessary books and all the stationery connected with the examination. The amounts are very small. We had provided in the central Budget Rs. 3,500 but that only goes to cover the payments to examiners.

546. *Sardar Mutalik*.—My point is whether these fees are considered to be only an amount for covering the expenditure that is incurred by Government?

A.—That was the original intention, that the fees should be charged to cover the expenses of the examination and that there should be no charge to the Government. I cannot tell the Committee whether that intention is being fulfilled or not. The fee is Rs. 50 per candidate. The examiners are paid at the university rates.

547. *Chairman*.—We must draw attention to this in the report as an irregularity. Taking next the Audit Reports Mr. Sloan the first question I have to ask you is whether you can give us any further details about item 3(viii) on page 7.

A.—I do not quite know what further information is wanted. There is possibly one point. It is said on page 8, about half-way down the first paragraph, "In spite of the irregularity being pointed out, it was not stopped till April 1922." The explanation of the Director, Intelligence Bureau, on that point is that this was one item in a long objection statement and that in his opinion it was so made that if there had been any suspicion of anything wrong the item would have tended to allay that suspicion rather than to emphasise it. The objection statement was as follows. "A sum of Rs. 580 claimed on account of the entertainment of outsiders against leave vacancies has been passed provisionally pending decision on the question of leave reserve in the Intelligence Bureau office". The Director, Intelligence Bureau, considered that this conveyed the impression that the question of providing a leave reserve was still under consideration. The temporary staff had been sanctioned pending decision on this point. It is very difficult to understand how he made any mistake. The temporary staff was obviously provided to supply the leave reserve on a temporary basis, pending its being made permanent.

548. *Mr. Iyengar*.—If so, has a leave reserve been since provided.

A.—It has since been provided.

549. *Sardar Mutalik*.—If a temporary staff was required for leave reserve, what was the necessity of maintaining a staff at all?

A.—Do you mean what is the object of having temporary leave reserve?

550. *Chairman*.—The question here is whether the disbursing officer ought not to have discovered this even before the audit officer pointed it out. The disbursing officer went on paying the staff for a year.

A.—The disbursing officer then was an Acting Deputy Director. When the Home Department letter went to that office he and the Superintendent of his office discussed it. They discussed this very point as to whether this was meant to be a leave reserve or whether they could continue to employ outsiders, and instead of referring to the Home Department and asking what their letter which they said was far from clear, meant, they decided as the line of least resistance and most convenience to continue to employ outsiders pending audit objection. That is all to be said about it.

551. *Kumar Ganganand Sinha.*—Why did they ask for leave reserve when they had outsiders?

A.—All Departments of the Secretariat have recently been given a leave reserve. It is a part of a big general change.

552. *Q.*—Then why did they not take advantage of that and follow the example of the other Departments?

A.—This was given to them for that. They apparently thought they were going to get it both ways.

553. *Chairman.*—I do not think there is any use in elucidating that point. Necessary action has been taken. We will go on to the next point.

Page 34.—“The Committee desired to know why the pay of the Sub-Registrar should not be at a fixed figure without commission.” This refers to Item No. (vii) on page 34.

A.—We have communicated with the Chief Commissioner, Sir, and we have received his reply to the effect that he has no objection to giving the Registrar a fixed pay instead of a small fixed pay plus percentage, but that he thinks the present system probably is conducive to better work.

554. *Sirdar Mutalik.*—Who will be able to do better work, a permanent man or a temporary man, i.e., a man on commission?

A.—The present system is a man on a small permanent pay plus commission.

555. *Q.*—I am objecting to the present system. Government has to pay Rs. 7,000 as commission.

A.—That may have been an exceptional year.

556. *Chairman.*—I think the answer is that he has no objection on principle at present, but the matter will be inquired into.

A.—I will take the matter up with the Chief Commissioner.

557. *Mr. Iyengar.*—I should like to know one or two points in connection with this point. So far as Sub-Registrars are concerned, this system has become obsolete in all the other provinces where they were paid a small salary plus a commission and they all have the fixed salary system. I do not know why Delhi should be made an exception in this case.

A.—The matter will be taken into consideration.

558. *Q.*—The nature of the work of Sub-Registrars has nothing to do with commissions. He cannot accelerate the number of registered documents or reduce them by the commission he gets?

(No answer).

559. *Kumar Ganga and Sinha*.—Is the work in Delhi heavier than in other provinces?

A.—I cannot give a reply off-hand.

The witness withdrew.

Mr. G. S. Bajpai.—*Deputy Secretary, Department of Education, Health and Lands, examined.*

560. *Chairman*.—The first question we wish to put to you refers to page 38 of the Appropriation Report. The Committee desire to have a fuller statement of the large savings under “Grant No. 7-Forest.”

A.—The savings may be dealt with under two heads, viz., (1) General Direction, which refers to the establishments of Inspector General of Forests who has his headquarters with the Government of India and (2) the Forest Research Institute at Dehra Dun. I would like to state in the first instance that the year 1923-24 was a transitional year. It was dominated by the need for economy, and, while on the one hand, we wanted to safeguard against cutting down research activities too much, on the other hand we had to tell our heads of Departments to economise as much as they could. I shall first specify the saving in the budget of the Inspector General of Forests. There is a saving of Rs. 6,600 under Contingencies and the balance is made up of partly the salary of assistants and clerks and partly Travelling Allowance. The saving under Contingencies and Travelling Allowance was the result of reduced expenditure owing to the pressing need for economy. There was less expenditure, for example, on postage, the purchase of books, etc., under Contingencies. The savings under Travelling Allowance were due to curtailment of tours. The savings under salaries of assistants and clerks were due to the reduction of establishment which was also carried out in deference to the pressing need for economy. Reductions have also been effected in subsequent years under these heads. The actuals of 1923-24 served as a guide in framing the estimates for 1924-25 and the reductions are Rs. 3,690 under Contingencies, Rs. 6,000 under Salaries and Rs. 2,000 under Travelling Allowance.

561. *Mr. Iyengar*.—What I want to get at is this; why when you were going on making such exemplary reductions in expenditure, you should have asked for an additional provision of Rs. 1,100 under General Direction?

Mr. Jukes.—It was probably only a re-appropriation from one detailed head within the minor head to another.

Mr. Kaula.—Even that was unnecessary.

562. *Chairman*.—The next question is in reference to page 77 of the report. “The Committee desired to have a fuller explanation of the facts in connection with the over-payment in 1921-22 to Messrs. Howard and Sons.”

A.—It would perhaps help the Committee, Sir, if I just gave a general idea of what the agreement is. The Secretary of State, on behalf of the Government of India, entered into an agreement with Messrs. Howard and Sons to purchase

in any year bark sufficient to produce 37500 Kilogrammes of sulphate of quinine. The quantity actually delivered in 1921 was 35743 Kilos. This was charged for at the time of delivery at rates varying between 24 and 32 Florins per kilo. In accordance with the terms of the agreement the price paid at the time each consignment was delivered was the quoted price in Java itself. The final adjustment was made at the end of the year when the Bureau in Amsterdam reported that the average price for the year was 21·60 Florins per kilo. Hence there was repayment due to the Government of India of 2,24,043 Florins. Howards, however, did not communicate this to the High Commissioner for India until October 1922, and the High Commissioner did not communicate it to us until the end of January 1923. Howards suggested that instead of repaying the amount overpayed in cash the repayment should take the form of delivery of bark. The Government of India then accepted this suggestion on condition that this repayment in kind should count against the contract bark for the year. The adjustment was made some time in April or May 1924, after the expiry of the financial year 1923-24.

563. *Sirdar Mutalik.* Q.—When you contracted for the purchase of bark, did you fix the price ?

A.—The price varies from year to year.

564. Q.—Did you stipulate that the price should be the market price for the year ?

A.—No. There is rather a complicated formula which has been inserted in the contract. The price paid at the time of delivery depends on the price for bark paid to other syndicates also operating in Java. The final adjustment is made at the end of the year by reference to a Bureau in Amsterdam who calculate the average for the whole year and communicate it to the purchaser as well as to the producer.

565. Q.—Was there no danger of the Government of India paying a higher price ?

A.—I have stated that at the end of the year the Bureau communicated that the price was less than what the Government of India paid and this was communicated to us.

566. *Dr. Lohokare.*—Is the agreement still continuing ?

A.—Yes.

567. Q.—For how many years will it last ?

A.—I believe it is due to expire in a few years.

Mr. Jukes.—When do you actually make the payments ?

A.—The arrangement in regard to payment is that the producers deliver a sample to Howard's agents in Java and after the sample has been tested and found satisfactory payment is made for the whole quantity supplied. The supply is not made at any particular time of the year. It is made fortnightly, or monthly.

Q.—My point is that your transaction may have involved the Government losing a considerable amount of interest ?

A.—That point was put by the High Commissioner and Howards replied that Government in the past had been behind-hand in making payments but producers had not charged any interest on that account.

568. *Chairman* : *Q.*—Has there ever been before an under-payment of this kind or is this the only case that has occurred ?

A.—This is the only variation which has been brought to our notice.

569. One must guard one self against such things in the future. Have you taken steps to insure that the intimations of change of price are more quickly received ?

A.—We have instructed the High Commissioner that so far as possible such a thing should not be repeated.

570. *Dr. Lohokare*.—Was this agreement sanctioned by the Assembly or by the Government of India ?

A.—The agreement was made before the Assembly began to function. It was made in 1919.

571. *Chairman*.—Now we turn to page 84. Public Health. Please let us have a short explanation.

A.—I will just give the items. (1) There was a saving of Rs. 57,979 in the budget of the Central Research Institute at Kasauli and (2) of Rs. 9,144 in the headquarters budget of the Public Health Commissioner. These two items require explanation. The other items are dealt with in the appropriation report.

As regards item (1), there was a saving of Rs. 45,000 under the provision for purchase of bottles. Bottles of sera which we manufacture at the Institute are supplied to His Majesty's forces. There was some uncertainty during the three or four years after the war and we did not know how much would be required. The President of the Research Institute of course went entirely by his experience of the preceding year and he over-budgeted.

572. *Q.*—Page 87 of the Report. Would you explain the language of this sentence which appears there. “The excess was foreseen and the Local officer addressed Government on the subject which decided to leave this unavoidable excess expenditure to be dealt with through the Appropriation Report.”

A.—I shall explain the facts first. We consulted the Finance Department in the matter and they told us that the best way of dealing with it was to leave it to the Public Accounts Committee. The position is this. In the year 1923 the Bacteriologist at Muktesar over-spent to the extent of Rs. 9,170. We manufacture sera in two places. In the winter we manufacture it at Bareilly and in the summer we manufacture it at Muktesar. This

over-expenditure took place in connection with the manufacture of sera at Muktesar and was communicated by the Bacteriologist to his immediate controlling officer, the Agricultural Adviser to the Government of India, about the end of February. The Agricultural Adviser consulted the Accountant General, Central Revenues, as to whether there was any possibility of meeting this expenditure by reappropriation within his own budget. This brings us down to the end of March when the Accountant General, Central Revenues, replied to say that there were certain exchange adjustments to be made and he was not in a position to say as to whether there would be sufficient savings to permit reappropriation. So nothing was done and the financial year expired.

573. Q.—Did the officer over-spend with the leave of his superior officer?

A.—Yes, with the leave of the Agricultural Adviser who as the head of the Department is really in a position to authorise reappropriation but not over-expenditure.

574. Q.—I think you understand that an excess is an irregularity?

A.—I never tried to defend it, Sir.

575. Q.—Such a thing ought not to have occurred and it ought to have been brought to the notice of the Department of the Government of India in time to place it before the Assembly.

A.—This over-expenditure was not brought to the notice of the administrative department until July 1924.

576. Q.—The administrative department ought to have some system by which it can see that its officers do not over-spend?

A.—I hope to explain this when we come to the general question of control.

577. Q.—Now we come to page 97 of the Report. Excess expenditure under Emigration—External.

A.—For one of these I am responsible and for the other the Foreign and Political Department. I have nothing to do with the repatriation of the Punjabis. Under the new Emigration Act, emigration to the Colonies is only permissible with the approval of the Legislature. In regard to emigration to Ceylon and Malaya, conditions to regulate emigration were approved in March 1923 and then we invoked the sanction of the Secretary of State for the appointment of Agents under section 7 of the Act. That sanction was not received till September. It was only possible for us then to frame a sort of tentative budget. The only thing that could be calculated with any approach to accuracy was the salary of these officers because we knew what we were going to pay them. But with regard to other items like contingencies, travelling allowances and the rates of pay of clerks, we had no past experience to guide us. That is why there was this slight excess of roughly Rs. 1,200 over the amount of Rs. 18,000, for which we asked the Assembly in February 1924.

578. Q.—You were not in a position to control the progress of expenditure ?

A.—It was really a leap in the dark. We had no accurate idea as to what we should have to spend on these Agencies. We merely knew what the salary of Agents would amount to.

579. Mr. Iyengar.—What was the idea in putting down Rs. 2,500, which is the amount of the original grant ?

A.—It was put much earlier in the year.

580. Q.—You asked for Rs. 18,000 subsequently. But you have a big excess under "Punjab" ?

A.—For that, as I explained earlier, I am not responsible. The Foreign and Political Department are responsible for it.

581. Q.—Who is responsible for the control of the vote ?

A.—The Foreign and Political Department.—The subject is divided between two departments of the Government of India. We are responsible for emigration to every part of the British Empire. If there is anything such as repatriation from a non-British possession to India, then the Foreign and Political Department are responsible.

582. Q.—Is there one officer in charge of the expenditure under this vote ?

A.—No, I am afraid not. We are responsible for expenditure under the vote in so far as it relates to Indians in other parts of the British Empire but not beyond that.

Mr. Jukes.—Ought not steps be taken to see that one officer is made responsible for watching the progress of expenditure ? I think the vote had better be divided.

A.—What happens really is that we understand emigration entirely in its technical sense as defined in the Emigration Act VII of 1922. Why this has been brought under Emigration here, I am not in a position to say.

Chairman.—It is rather an unsatisfactory position that there is not one department to control this vote. If the difficulty is a persistent one, Mr. Jukes' suggestion of dividing the Emigration expenditure is obviously one that would be worth considering. Someone clearly ought to have taken up the question of regularizing this by vote.

583. Mr. Iyengar.—I think it is clearly the province of the Emigration department. Are you not dealing with repatriation laws passed in South Africa ? You are administratively dealing with questions of repatriation and when the question of finance comes you say that it has nothing to do with your department ?

A.—May I just explain that we as a department are merely concerned with emigration to and repatriation from those parts of the world which are

within the British Empire. Where it is a question of repatriation from outside the British Empire we are not concerned. It is the Foreign and Political Department which are responsible for such cases.

584. *Chairman*: Q.—We come now to the general question of control.

A.—There are three kinds of grants for which we make ourselves responsible. First, we have grants to non-government bodies, like the Aligarh University, the Benares University, the Countess of Dufferin Fund, the St. John Ambulance Association and the like. Then there are grants for expenditure by heads of departments. Lastly there are grants for which we make the local governments responsible. As to the first class of grants to non-government bodies they get the grant and then there is no control exercised by the administrative departments at all. Then there are the heads of departments, practically all of whom have the same powers of reappropriation as departments of the Government of India. We merely make ourselves responsible for seeing that the grant under any particular head is not exceeded without our permission. They themselves, in deference to a suggestion made by a former Accountant General of Central Revenues, have been asked to exercise a sort of monthly check on expenditure by their own disbursing officers which takes the form of an appropriation audit. Each disbursing officer has been asked to submit a monthly statement to the head of the department showing what has already been spent and what is likely to be spent. Lastly there are the local governments which administer certain agency subjects such as port quarantine. Over them also we exercise no control practically ; they communicate to us the amount wanted and we ask the Assembly to vote that amount, though of course we first scrutinise the necessity for the expenditure. After that all the control we exercise is that they do not exceed expenditure under any head without first obtaining our sanction. When an application for exceeding the grant under any head is received we take the necessary action in consultation with the Finance Department or ourselves directly as the case may be.

585. *Mr. Iyengar*.—Don't you think in respect of these grants-in-aid that you should have some kind of control over the grants by finding out whether the grants are used for the purposes for which they are given or not ?

A.—So far as that is concerned, we trust to the conscience of an enlightened community to keep these various bodies in check.

586. Q.—But from the administrative point of view do you not think that some control should be exercised ? You know that some sort of control is exercised in respect of local boards and municipalities for instance.

A.—We make lump sum grants—and leave the authority concerned to spend it on maintenance or on buildings as it likes.

587. Q.—Would it not be right from the finance point of view as well as from the point of view of the object with which you make the grant that you should ascertain what the needs are and why so much money is wanted and

for what purposes it is used, and that you should make an examination of the purposes in order to satisfy yourselves ?

A.—Yes ; but so far as that is concerned, when we are making a grant of a recurring character for the general object of promoting education and helping an educational institution, it is not up to us, consistently with the claim of the universities that they should be autonomous, that we should be interfering the whole time with their powers of expenditure.

588. *Q.*—I should like the general principle to be examined to see if any middle course can be followed.

A.—I am quite certain the department will be very glad to have practical suggestions. As I said, these bodies have certain well-defined activities. Take for example the Countess of Dufferin's Fund. It exists for the purpose of providing medical aid for women by women ; we know they maintain a medical service ; we examined the question when the amount was fixed at Rs. 3,15,000 per annum and we have assured ourselves that their requirements in the way of providing a proper medical service would be somewhere in the neighbourhood of that amount.

Mr. Jukes.—I was only going to say this, that I understand that in certain cases where grants-in aid are given Government do consider it necessary to lay down certain conditions ; and where they lay down conditions and it does take steps to see that those conditions are fulfilled. But where Government, having considered the desirability of making a grant, considers that it may be made unconditionally the need of examining accounts in detail does not arise.

589. *Mr. Iyengar.*—I am only asking whether you should not be guided by certain principles in making these grants-in-aid ?

A.—Whenever we make a new grant we take the precaution to satisfy ourselves that it is for a proper purpose.

590. *Q.*—There are no general principles guiding you in this matter ?

A.—It seems to me that when you have to determine whether a grant should or should not be made on a consideration of the needs of each individual institution, you can not have any general principles which could govern every conceivable case.

591. *Dr. Lohokare.*—Are there any particular grants for buildings ?

A.—No ; we just make a lump sum grant.

The witness then withdrew.

Evidence taken at the Ninth Meeting of the Public Accounts Committee held on Saturday, the 15th August 1925 at 11 a.m.

PRESENT :

Sir BASIL BLACKETT, *Chairman* :

Mr. AHMAD ALI KHAN.

DR. K. G. LOHOKARE.

MR. A. RANGASWAMI IYENGAR.

Sirdar V. N. MUTALIK.

Maulvi Syed MURTAZA SAHEB Bahadur.

Mr. M. WEBB.

Kumar GANGANAND SINHA.

Mr. S. C. Gupta, Additional Joint Secretary, Legislative Department, called and examined.

592. *Chairman*.—There is one question arising out of the statements on pages 59 and 61 of the Appropriation Report which the Committee want to put to you. There is a very considerable saving under the charges both for the Council of State and the Indian Legislative Assembly. They also notice that under the head of Legislative Assembly, in spite of that large saving, a supplementary grant was asked for. Can you explain generally the reasons for the savings ?

A.—May I take the Council of State and the Legislative Assembly separately. Under the heading Council of State the chief reason for the saving is the ruling of the Accountant General, Central Revenues, in November 1923. The expenses of all Committees which were appointed either directly by the Council of State or in pursuance of Resolutions passed either by the Assembly or the Council of State, used to be debited to the Legislative bodies formerly. Then the Accountant General, Central Revenues, ruled that these expenses should not be so debited. May I read out the ruling ?

593. *Mr. Ahmed Ali Khan*.—By Legislative bodies do you mean Legislative Department?

A.—No, the Council of State and the Legislative Assembly.

594. *Chairman*.—Was this a serious cause of saving in the Council of State vote ?

A.—Yes, Sir, because we used to debit all these expenses under the Council of State whether it emanated from the Legislative Assembly or not. The reason why we did that is not quite clear, but I think the real reason was that as the budget of the Council of State was very much smaller than that of the Legislative Assembly these expenses were as a matter of convenience debited against the Council of State. According to the ruling I have mentioned the expenses are to be debited to the departments concerned under 47—Miscellaneous, so there was a saving.

Members.

595. *Mr. R. Iyengar.*—So it is a mere transference of entry ?

A.—Not within our budget ; it went out of our budget. In our detailed estimates for 1923-24 there is an estimate given under the head of actuals of 1922-23 for certain committees.

596. *Chairman.*—What is the explanation of the saving under Legislative Assembly ?

A.—The first point is that we always budgeted for the T. A., daily allowances, haulage of motor cars, etc., on the assumption that the full number of members would attend. There are 140 members but the average attendance has been 100 or 110. That is one point.

597. *Mr. Ahmed Ali Khan.*—Does that account for such a large saving as this ?

A.—No, not all.

Mr. Jukes.—I have been looking at the budget estimates and I find that provision for these committees was all made under Legislative Assembly and not under Council of State.

Mr. Kaula.—Did the budget for 1923-24 include any provision for committees chargeable to the Council of State ?

Chairman.—Let Mr. Gupta finish with the Assembly before we cross-examine him.

Mr. Gupta.—I have already given one reason, namely that we budget on the assumption that the full number of members will attend. Then there was a reduction in the rate of the T. A. of the members by 20%. That is to say we used to allow them double 1st class fare but they now get 1 3/5ths and secondly they used to get daily allowance for one week either way before and after the Sessions, but they began to get it for only three days either way. Those are the three reasons for the reduction.

598. *Chairman.*—You say you always budget for the full expenditure, is that so still ?

A.—No, now we have considerably reduced the items. May I point out that a difference in attendance of, say, 20 members makes a very large difference in cost because it is Rs. 20 per day for each member, and if there are 20 members less, that would mean Rs. 400 a day ; and similarly for travelling allowance, haulage of motor cars, and so on.

599. *Chairman.*—Now we would like to go back to your explanation about the Council of State. It has been pointed out by Mr. Jukes that the provision in 1923-24 for special committees was made under the head of Assembly, not under the head of Council of State.

Mr. Jukes.—I am wrong about that ; it was not made under either head this year ; it was made the previous year under the Assembly.

Mr. Gupta.—When we were budgeting for 1923-24 we were proceeding on, the actuals of 1921-22.

Mr. Kaula.—Your budget provision is Rs. 2,80,000 for the Council of State, which consists of travelling allowance, daily allowance and haulage of motor cars. These are the only three items, making up the Rs. 2,80,000. There is no provision for any committees.

A.—It is all included in the general provision for allowances, not separately.

600. *Chairman.*—Do you mean to say under the head Council of State you included provision for paying all members of committee whether members of the Council of State, members of the Legislative Assembly, or members of the public ?

A.—Not members of the public, only the members of the two bodies who were members of a committee.

Mr. Kaula.—Their allowances you put under travelling allowance ?

A.—Yes.

Q.—Not separately ?

A.—No.

601. *Mr. Ahmed Ali Khan.*—What did you do about the others who were not members either of the Council of State or the Legislative Assembly ?

A.—That must have been debited to the department concerned.

602. *Mr. R. Iyengar.*—You mean to say the bills of these members of the Assembly or Council of State would be treated along with the Legislative Department bills, and there included ?

A.—They were not included under the head of Legislative Department, but under the head Legislative bodies, which is divided into two, Legislative Assembly and Council of State, and my office put them under the Council of State head.

603. *Mr. Ahmed Ali Khan.*—Even the allowances of those members who do not belong to either of the two bodies ?

A.—No.

604. *Q.*—What happened to their allowances ?

A.—They I think must have been paid by the departments concerned. If the Committee was, say, the Racial Distinctions Committee, probably the Home Department paid it.

605. *Chairman.*—You say probably ; have you any certainty of that ?

A.—No, but I am almost certain we did not pay it.

606. *Q.*—I rather think you provide for them ?

A.—The information I have received from my office is that we do not pay them.

607. *Q.*—At any rate the position is now that these committees are provided for and that you do not now pay for the expenses of a Legislative Assembly member under the head Council of State.

A.—No, now we have this ruling. It says :—" It has been decided in consultation with the Auditor General that in future the cost of only such committees as are appointed by either the Legislative Assembly or the Council

of State with instructions to report to it should be debited to their respective budget grants."

Therefore this cuts out all those committees which have to report to the Governor General in Council.

608. Q.—A joint committee of both Houses ?

A.—A joint committee of both Houses will be divided up between the two bodies.

609. *Sardar Mutalik*.—How did this arrangement come into existence ? Were there any definite orders to that effect ?

A.—There were no orders.

610. Q.—Simply because you saved under the Council of State you debited it ?

A.—When we did it we did not know that there was going to be a saving.

Mr. Kaula.—That is a matter of accounting. There is no specific head of account provided for that purpose.

A.—I admit it might have been split up, but there were no orders and there was one main head Legislative Bodies.

611. *Sardar Mutalik*.—There is only one head on which vote is taken from the Assembly, namely, Legislative Bodies ?

A.—Yes. Legislative Bodies divided into two sub-heads, Legislative Assembly and the Council of State.

Mr. Kaula.—In the abstract demand it is shown as Legislative Bodies, but in the details it is shown under two heads with further details also.

612. *Syed Murtuza Sahib*.—When there are two different sub-heads under the Legislative Bodies where is the necessity of bringing that item under the Council of State ? There are two sub-heads given separately ?

A.—I have already said that there was no particular reason but it was just done by the office as a matter of convenience.

613. *Dr. Lohokare*.—Can the Legislative Department adjust the debit from one sub-head to another sub-head ?

A.—It was not debited from one sub-head to another because there was no separate provision for these committees. When the original grant was taken in the detailed estimates the amount was included in the amount demanded for the allowance of the Council of State.

Chairman.—The final authority was the Accountant General.

Mr. Jukes.—I imagine what actually happened was that though the amount was provided under the Council of State the charges were actually debited to the appropriate body, whether the Council of State, the Legislative Assembly, or any other Department.

614. *Kumar Ganganand Sinha*.—Here I find Rs. 5 lakhs and odd were granted in the original grant in column 4 and then the actual expenditure fell

short of the original grant. Still you came with a supplementary grant of a considerable amount.

A.—There was a supplementary grant of Rs. 14,500. That happened in this way. The Department of Education and Health took a supplementary grant of Rs. 14,500 in connection with the expenses of the Fiji Committee. They took the supplementary grant, but by an oversight our Department was not consulted when they took the grant. However, that does not bear on the question. Then, according to the then existing practice, though they took the grant it was debited against us by the Accounts Department. Therefore it appears here as if we had taken a supplementary grant, but as a matter of fact we did not take the supplementary grant. If the Department of Education and Health had consulted us before taking the supplementary grant we might possibly have been able to tell them that there was no necessity for a supplementary grant.

615. *Chairman.*—You say that you might possibly have told them. Were you in a position to control the progress of your expenditure at that time so as to be able to say that you would not require a supplementary grant?

A.—I cannot go so far as that.

616. *Mr. Iyengar.*—I want to know how the expenditure under these heads came into Legislative Department. How did it happen that you made provision for all these expenses? Were there any rules by which these things come to the Legislative Department for making a budget provision for all committees? By what provision either of accounts or of practice has it been made?

A.—I cannot give the origin of that.

Mr. Kaula.—That was the understanding at the time that these would be debited under the Legislative Bodies. Therefore when framing the estimates both the Accounts Department and the administrative Department should have followed that practice.

617. *Mr. Iyengar.*—That means that the Legislative Department is debited with the cost of allowances paid not only to members of the Legislature but to non-members?

Mr. Kaula.—That was the position.

618. *Mr. Iyengar.*—I thought Mr. Gupta had said that the non-members were—

Mr. Gupta.—I said probably the non-members were paid by the Department concerned. It is difficult to say without going into the actual figures because there is no separate head for it. It is all included in the amount provided for the allowances of the members.

Mr. Kaula.—The bills would have to be countersigned by the Legislative Department.

619. *Mr. Iyengar.*—In all cases of committees and commissions?

Mr. Kaula.—If it was a departmental committee there was no separate controlling officer. Ordinarily all committees connected with the Legislative Bodies—their bills go to the Legislative Department and are counter-

signed by an officer of that Department. Without such countersignature the Accounts Department would not pay.

Mr. Jukes.—Was the Fiji Committee a committee of the Assembly instructed to report to the Assembly?

Mr. Gupta.—No. It was a Committee appointed in pursuance of a resolution passed by the Legislative Assembly, but it was a Committee appointed by the Governor General in Council to report to the Governor General in Council.

Mr. Jukes.—I do not quite understand. The decision that committees of this kind should not be charged against the Legislative Bodies budget was passed some time before the end of the year, and this supplementary vote was asked for on the 20th February 1924. Do you still tell us that the Accounts Department took it against the Legislative Bodies?

620. *Chairman.*—The Government of India Resolution in the Finance Department is dated the 15th January. This supplementary is dated February. It was probably not realised at that time that the change would come into effect before the beginning of the next year.

A.—I presume that is the explanation.

Chairman.—I do not think we need pursue that point further. Obviously it was not satisfactory.

621. *Sardar Mutalik.*—You asked for a supplementary grant of Rs. 20,685 for the Legislative Department? Why did you take it?

A.—It was really not a supplementary grant. It was a transfer from the non-voted to the voted. What happened was this. The first Assistant Solicitor went on leave. I understand he is non-voted. The second Assistant Solicitor Mr. Mushran officiated and he is voted. Therefore we surrendered the amount which was already included in the budget from the non-voted and took it in the voted, and the same thing happened in my case. I was officiating then in a higher appointment and the increase in my salary was transferred from the non-voted to the voted.

622. *Chairman.*—That answers the question why you thought you needed the supplementary grant, but not the question why you came for a supplementary vote at all when your actual expenditure for the year was only Rs. 4,86,000?

A.—I think we took up the position that we were merely surrendering the amount that we already had on the non-voted side and were having it transferred to the voted side.

Mr. Kaula.—The surrender was all right but did you really need an additional amount under this voted section?

A.—It was necessary because it was not provided for in the voted side.

Q.—You see a saving there. You did not need this addition to your vote? The point is whether you were aware of it then? If not, what control have you over your expenditure?

623. *Chairman.*—Your answer is that you were not aware that there would be sufficient savings?

A.—Yes. We were not then aware.

(The witness then withdrew.)

Rai Bahadur J. P. Ganguli, Assistant Secretary, Department of Industries and Labour, called in and examined.

624. *Chairman.*—In paragraph 15 of the Auditor General's covering letter on the Appropriation Report for 1923-24, reference is made to the variations between the estimates and actuals in respect of recoveries. The Committee desire to have information on this point.

A.—This item does not concern me, Sir. I wrote to Mr. Rau explaining that it referred to the Central Board of Revenue. It is Stamps budget and we know nothing about it.

625. *Chairman.*—We will ask the Central Board of Revenue about it.

Page 88 of the Appropriation Report.—Under the Head Industries, voted, the original grant was Rs. 44,000 and the actual expenditure Rs. 23,000. Can you explain the variation?

A.—I can explain some of it. The provision under 'Industries' included Rs. 20,500 for the British Empire Exhibition which was transferred to 37 Miscellaneous see page 105 of the Appropriation Report.

626. *Q.*—What amount was transferred?

A.—Rs. 20,500 was transferred.

627. *Q.*—That is the main explanation?

A.—Yes and I am giving this explanation on behalf of the Commerce Department who are responsible for the Exhibition budget, and who have sent their papers to me. There is another item "Drug manufacture," with which also we are not concerned. So far as our items are concerned, our saving was only Rs. 600.

628. *Q.*—These are all the cases, I think, Mr. Ganguli on which we wished to examine you. Are you concerned with any of the other cases?

A.—You wanted to know, Sir, what system we adopt for controlling expenditure.

629. *Chairman.* *Q.*—Have you any statement to make on the general system of controlling expenditure?

A.—I was examined on the same point last year by the Public Accounts Committee and communicated the result to my Department. We have since communicated with the various spending authorities under us and we have received satisfactory replies from everybody saying that scrutiny is being exercised monthly : those who have got subordinate offices under them are making the subordinate offices submit a monthly statement. The figures in these monthly statements are compared with the monthly figures reported by the Accounts office. As regards a monthly report to Government, we are

awaiting the issue of the rules which the Finance Department have under consideration.

(*The witness withdrew.*)

Mr. Harris, Deputy Secretary, Department of Industries and Labour, called in and examined.

630. *Chairman.*—The first question we want to ask you arises at pages 39 to 41 of the Appropriation Report in connection with Grant No. 9, Irrigation. The Committee desired to have full information about the control of expenditure under this grant and to know the reasons for asking for an additional grant from the Assembly, seeing that the total expenditure proved to be below the original grant. We have other questions to ask, but this is the first.

A.—I will deal first with the second portion, about the additional grant. We were not actually asking for any additional money. There was a mistake made in the original allocation of the grant for establishment between voted and non-voted, and consequently we had to ask for a transfer from the non-voted to the voted side. There was a corresponding saving against the non-voted grant. When we asked for this transfer, we were unaware that there would be any saving on the grant as a whole. About the 11th of February, the Frontier Province informed us that they were surrendering funds, but we had already sent in our supplementary demand; it was probably in print by that date and may even have been distributed to members of the Assembly. In other words, we only heard that there was going to be a saving on the grant about a week before the supplementary demand was put before the Assembly.

631. *Mr. Iyengar.*—May I take it that neither the Frontier Province nor you keep any watch over the progress of expenditure.

A.—The Frontier Province had told us somewhere about December that there would probably be no saving, but it is in the months from December to March that our heaviest expenditure takes place and it is very difficult to tell, until all the estimates are prepared after the effects of the monsoon floods are known, exactly what expenditure there will be.

632. Q.—You get no reports of the progress of expenditure ?

A.—No.

633. Q.—Have you made any arrangements since to watch expenditure ?

A.—No. The expenditure is watched by the Frontier Province authorities themselves.

634. Q.—You get no reports as to the progress of expenditure ?

A.—We get no reports and I doubt whether such reports would, in any event, be of much value. They would inevitably arrive too late, probably three months after the event, and, with our heaviest expenditure coming at the end of the year, would be of little practical use for the purpose of enabling us to tell how our expenditure and grant were comparing at the most critical time.

635. Q.—Do you mean that no system by which you can control and watch expenditure would be useful in the case of the Frontier Province ?

A.—I do not think it can be controlled from here.

636. *Chairman.*—We got evidence from the Frontier officials. They have introduced a system of control over their expenditure under all the heads for which they are responsible.

A.—They may, of course, have such a system there, but no reports of periodical expenditure have ever been sent to us.

637. *Mr. Ahmed Ali Khan.*—Do you think it desirable to have a monthly report?

A.—I get a monthly report of expenditure against the Civil Aviation grant from the Accountant General, Central Revenues, but it is of little use to me; it is three months behind the time. That is to say, at the end of January, I have got the monthly report up to the end of October only.

638. *Mr. Ahmed Ali Khan.*—Is there any reason for the delay?

A.—I presume the A. G. C. R. gives me the figures as soon as he has compiled them.

639. *Q.*—He takes three months to compile the figures?

Mr. Kaula.—It should be two months. If Mr. Harris has got them three months late I should like to look into it. Within two months we should be able to give him the expenditure.

640. *Kuma Gangarand Sinha.*—Can you make any arrangements for the North-West Frontier Province to have these reports direct from them without their going to the Accountant General?

A.—It could be done, but it would inevitably entail a considerable amount of work on the part of executive officers. It is not only a question of the actual expenditure; there are also liabilities to be taken into account. But, as a matter of fact I do not think there has been any lack of control. Our ultimate expenditure has always been extremely close to our grant. We worked this year to within 1 per cent. of the grant.

641. *Q.*—When you have no control, it may be you may exceed or you may not spend what you have been granted?

A.—It has never happened. We worked this year to within Rs. 12,000 of our final grant, and, during the year, only surrendered about Rs. 50,000 out of a total original demand of 15 lakhs odd.

642. *Q.*—Can you tell us what it was in 1924-25?

A.—I do not think we have the figures yet.

643. *Dr. Lohokare.*—Do you think the monthly returns would be of any use in judging the expenditure?

A.—They would be if we could be assured of getting them punctually, and if they contained a record of all liabilities, such as those incurred for work done but not paid for. That, of course, is one of the main difficulties.

644. *Q.*—Has your department suggested that sort of procedure?

A.—No.

645. Q.—And you think it would be of use ?

A.—I think it would be of use, but it would necessitate a good deal of additional work on the part of the executive authorities of the North-West Frontier Province.

646. *Sardar Mutalik*.—Who really controls the expenditure ?

A.—The expenditure is really controlled by the authorities in the North-West Frontier Province.

647. Q.—That is the Local Government ?

A.—The Local Administration.

648. Q.—If there is to be any control, I suppose you agree the report should be made to the local authority as to the progress of expenditure ?

A.—Yes. As a matter of fact they must of course watch the progress of expenditure themselves, and I think the figures indicate that they do.

649. Q.—And if they reported to the Central Government you do not think anything would be gained ?

A.—No, I do not think so.

650. Q.—And if any control is exercised, it should be by the local authorities ?

A.—In my opinion, yes.

651. *Mr. Iyengar*.—I find that in the year 1922-23 you worked at a much higher margin as between the actual expenditure and the estimated expenditure. There is a deficiency of actual expenditure to the extent of Rs. 1,56,000 against an original grant of 14 lakhs odd ?

A.—It is probable that there was some special reason for that.

Mr. Jukes.—Can Mr. Harris tell us how his local authorities mainly control their expenditure ? I take it they do not keep accounts of their own ; how do they manage to keep so near their budget if they cannot get figures till three months later ? Do they keep any separate accounts of their own ?

A.—Every executive engineer must, of course, watch his expenditure and liabilities to ensure that he is keeping within his allotments.

Q.—Then the control is really exercised right down at the bottom by the executive engineer, not by the head of the Province ?

A.—At the bottom, it is certainly being exercised by the executive engineer. He is primarily responsible that he does not exceed the grant for any particular work.

Q.—But if it is the executive engineer who is really exercising this control, would you not admit that probably there is a rather large element of luck in the fact that the Province as a whole gets so close to its estimates as it does ?

A.—Not if that control is being properly exercised and additional funds are asked for or surrenders made promptly as the occasion arises.

(Witness then withdrew.)

Mr. Brebner, Superintending Engineer, Simla, examined.

652. *Chairman.*—We can go on to pages 121/122 of the Report. The Committee desire an explanation regarding the variations in the percentages for establishment, and tools and plant from year to year with reference particularly to the Auditor General's opinion that the excesses were due to defective budgeting. Mr. Brebner, will you answer on that?

Mr. Brebner.—In this particular case there were excesses in the United Provinces under four heads, repairs, establishment, tools and plant and suspense. As regards repairs the excess is due to a mistake made in the information which the Accountant General supplied to the Auditor General which he has now corrected. As regards establishments and tools and plant, we are rather in the hands of the Local Government. Under the existing rules the percentage figure of establishment and tools and plant charges depends entirely on the total value of work done, not only for the Government of India, but by the Local Government itself, being in fact a *pro rata* figure. The Local Government, in intimating their demands every year in November, advise the Government of India what their tools and plant and establishment charges are likely to be, and we have to accept the figure given by them because we have no information as to the amount of work they are going to do themselves. The system is admittedly unsatisfactory in that we are to a certain extent working in the dark, and we have written to all Local Governments pointing this out and have asked them whether they would be prepared to undertake our work for a given period of a say three or five years at a definite figure, so that if they accept our suggestion in future we shall know exactly how we stand.

653. *Chairman.*—Do you expect that to result in a saving?

A.—No. I expect it will cost us more because no Local Government will take any element of risk. On the other hand we shall know how we stand. When we get replies from Local Governments and see what they are prepared to do our work for, we can consider whether we shall carry on as we are doing, or whether we shall alter the system.

654. *Q.*—Do you agree with the Auditor General's opinion that the excesses in the U. P. are due to defective budgeting?

A.—I should say in a sense they must be.

655. *Sardar Mutalik.*—Am I to understand that this Government is groping in the dark with regard to this expenditure and budgeting? They are solely to depend on the Local Government?

A.—Yes, entirely; we employ the Local Governments as our agents for doing our work.

656. *Q.*—But don't you check anything here? If a Local Government gives you a budget beforehand which you think is not really warranted by the circumstances, what check do you exercise in such circumstances over the estimates of the Local Governments.

A.—I am afraid I have not made myself clear. Under the rules as they stand at present the percentage figure for establishment and tools and plant is struck at the end of the year. The total value of the work that has been done in the Province, (a) for the Government of India, and (b) for the Provincial Government, is added up. The total cost of establishment is similarly added and the percentage is struck. The result is the figure is not accurately known until the end of the year. When Local Governments send in their demands to us at the beginning of the year, they can only go on past experience and on what they hope to do.

Chairman.—I think the answer really is that the accounts are kept by the Accountant General and it is he who actually works out the percentage, and he is a Government of India officer.

657. Sardar Mutalik.—But what steps do you take after you find that the expenditure on tools and plant is more than what is warranted in the circumstances?

A.—We cannot do anything I am afraid.

Chairman.—It cannot be more than what is warranted.

658. Sardar Mutalik.—More than was usual. For the future do you issue any instruction?

A.—We cannot, we are in the hands of the Local Governments. We have no knowledge of the extent of the work which they themselves are going to do and accordingly cannot question the correctness of their figures.

659. Dr. Lohokare.—Do the Local Government communicate to you any excess in the establishment they wish to engage? At the time of budgeting they must have forecasted a certain establishment. If they wish to employ more establishment, do they write to you?

A.—They possibly might if special establishment were to be engaged for a big work, but they would not for ordinary work because it would be undertaken by the regular establishment.

Mr. Kanda.—May I make the point clear? The position does not depend entirely on the increase in the cost of the establishment. There may be no change in the cost of the establishment, yet if the programme of works expenditure is varied during the year the percentage of cost of establishment would go up or down.

660. Dr. Lohokare.—In that case the programme has to be communicated to the Government of India?

A.—The Local Government would know whether they had curtailed their programme or not, and they would know whether this would increase the cost of establishment. If the Local Government know, the Government of India should know. But these factors usually come into play only in February or March, when no action can be taken by either party. That is what generally happens. It is too late for either party to regularise matters.

661. Syed Murtaza Sahib.—Do you think that any suggestion could be made to Local Governments which would remedy matters as regards defective budgeting?

A.—I do not think we can make any suggestions which will improve matters materially except that we might ask them, as Mr. Kaula suggests, to keep us informed when any changes take place.

662. *Q.*—That will to a certain extent improve matters ?

A.—I don't think it will affect things materially.

663. *Mr. Iyengar.*—Do you mean to say under the present system it will be possible that the attention of the Government of India will be drawn to these large variations in the percentage of expenditure reported to you, or that you have no means of pressing Local Governments on these variations and asking them for explanations.

A.—It is not a question so much of safeguarding ourselves for the future, because as I have explained the percentage figures reported to us depend mainly on the work which they are going to do for themselves. That is the controlling factor really.

664. *Q.*—Do you mean to say that once you constitute the Local Government as your agent you are simply to accept whatever they give you without any question ?

A.—No. We would like to be satisfied, but we realise with the present system that we are very largely left in the dark. We have therefore addressed Local Governments pointing this out and we have asked them to say whether instead of the present system they would agree to do our work at a definite fixed figure, no matter what it costs them.

665. *Mr. Iyengar.*—I am not asking you that. I am asking you whether under the present system itself you renounce all power of controlling this expenditure so long as the Local Government reports the amount of expenditure.

A.—We can tell the Local Governments that we would like them to send us a report if they have reason to believe that the figures they gave are wrong.

666. *Q.*—Can you not tell them, “ We find this percentage on establishment, etc., is higher than what you charged last year. You must look into the matter and see ” ?

A.—They could say : “ This figure has been arrived at after calculation in the manner prescribed by rule. If you do not agree to pay these charges you can have your work done by some other agency.” We are absolutely in their hands as things stand at present.

667. *Q.*—That is what I wanted to know. Are you in their hands once you constitute them as your agents for doing the work of the Central Governments ?

Mr. Jukes.—The position is really this. The Local Governments are charging the Central Government exactly the same percentage on account of establishments, tools and plant which they are paying themselves. They have a far larger share of the expenditure to incur, and if in any particular year they themselves pay (say) 30 per cent it will be very difficult for the Government of India to ask them to charge them something less.

668. *Mr. Iyengar.*—That means that if the Local Government in a particular year embark upon an extensive purchase of tools or maintain an increased establishment, it *ipso facto* adds to the percentage of the costs which the Central Government have to incur upon a small item of business?

Mr. Jukes.—The share of the Local Government is very much larger than that of the Government of India.

Chairman.—To some extent our interests and those of the Local Governments are identical.

669. *Mr. Iyengar.*—It is very possible that a Local Government may embark upon an expenditure on an extravagant basis and you will be charged with a proportion of that extravagance.

Mr. Kaula.—We have a safeguard against that. Any abnormal expenditure like that would not be brought into account against ordinary tools and plant. We have an accounts safeguard against that because any special expenditure would be brought under a special head in the accounts and it would not come under the divisible head.

670. *Mr. Iyengar.*—The present variation is not of the unusual type and therefore it does not require very much explanation?

Mr. Kaula.—It would occur only in a year in which there is considerable disturbance in the programme of works expenditure. They must have been applying the axe to the works expenditure. So the works expenditure went down in 1924 and establishment charge went up.

671. *Sardar V. N. Mutalik.*—Have you considered the possibility of approaching the local bodies apart from Local Governments, to whom you could entrust some of your works?

A.—No.

672. *Q.*—Will you consider this point and write to the Local Governments whether this course is possible, because the Local Governments themselves are now considering the possibility of handing over some of their work for execution to local bodies?

A.—We would prefer to leave such proposals to be made by the Local Governments. If they can arrange to have our work done by local boards, we would not mind their employing them.

673. *Q.*—But the Local Governments may be thinking that the Imperial Government's work must be done by the Local Governments alone?

A.—Not necessarily.

674. *Q.*—I do not think when you ask them to do something for you they will ask some other body to do the same for you unless you specifically say you have no objection to the work being done through some agency which they may employ?

A.—We certainly would not object. We leave it entirely to the Local Governments to do our work the best way they can; whether it be done by big contractors, small contractors, or by some other local agency we do not mind.

675. *Chairman.*—Local Governments can use the local boards as contractors for Central Government work in quite normal course ?

A.—Yes.

676. *Mr. Iyengar.*—Is it the case in respect of trunk roads in Madras that the local bodies have been entrusted with the maintenance of those trunk roads on the payment of a definite sum as mileage for maintenance and repairs ?

A.—I cannot say.

677. *Chairman.*—Page 123 of the Appropriation Report. It is stated “Grant sanctioned in Government of India Public Works Department, Industry and Labour, No. A. C. W. 2, dated 22nd March 1924, and Government of India, Finance Department No. 1133-Ex., dated 26th March 1924, for acquisition of land for the new cemetery at Lahore”. Can you explain why the allotment was made so late ?

A.—The position was as follows. Roughly a year before the date of payment we got certain land from the Punjab Government for the extension of a cemetery at Lahore. The Local Government advised us that the cost of this land would be about Rs. 60,000 and they asked us to pay. At the time we were in correspondence with the Secretary of State regarding the conditions by which land was to be transferred from Local Governments to the Central Government and vice versa. Payment for the land in question was held up on that account. Early in March, about the 11th March I think, we were told that the Secretary of State had passed orders which permitted of our paying the Local Government the amount due and with the consent of the Finance Department we made the payment to the Local Government. But the debt had been incurred quite a year before and accordingly when we made the allotment it was no question whether it would be utilised or not. The allotment was a definite payment to the Local Government for land handed over to us some time before.

678. *Chairman.*—But see the explanation (A). I understand that means that the expenditure was not actually incurred ?

Mr. Kaula.—There is a printer's error at the bottom of page 122. It should be “Explanation of the causes of variation between the original and net grants” and not “between Expenditure and Grant”.

A.—If we had had the orders of the Secretary of State we would have paid the amount at the beginning of the year. It was only a question of receiving orders. As soon as we received them there was no reason why we should not pay.

Mr. Jukes.—According to the explanation this payment was not actually made. I understand you to say that the payment had been made. But it did not come into the accounts, and the explanation says that it was not paid.

A.—The actual payment was made on the 22nd March. There is a telegram here “reference Chief Secretary's letter dated so and so, grant of Rs. 71,000 including departmental charges hereby allotted to cover the cost of payment to the Punjab Government for the acquisition of land for the new cemetery at Lahore during the current year”.

Mr. Jukes.—It is the Accountant General who actually makes the payment ?

Mr. Kaula.—The payment would be made in the first instance by the Collector of the district. There must have been some difficulty there.

679. *Chairman.*—In any case, on the general question does the department take special steps to secure that allotments are not made so late in the year ?

A.—We are very particular about that.

680. *Sardar V. N. Mutalik.*—You say that you have taken steps to see that you do not issue orders for expenditure at a late hour. Have you issued specific orders about allotting expenditure after January ?

A.—Each individual demand has to come up before us and the necessity for the same to be explained. We then judge whether funds should be provided or not. In a case like this where a liability has been incurred and we were only awaiting the orders of the superior authority before paying there is no reason for not making the allotment.

681. *Q.*—If you come to the Assembly or ask the Finance Department to make an allotment as late as March do you expect that the money will be spent during that year ?

A.—It depends entirely on the circumstances of the case.

682. *Q.*—Do you not think that the execution of the work will take some time ?

A.—In this case we were actually paying for a thing which we were given a year before.

683. *Q.*—But it could not be done earlier in that year ?

A.—We were awaiting orders of the Secretary of State on the principles that should govern such transactions. Till his orders were received we could make no payment.

684. *Q.*—You should have asked for the amount for the next year ?

A.—There was no point in doing so. We were paying for a thing which we had got over a year before. The Local Government had been kept out of the money for over twelve months.

685. *Chairman.*—The question is whether there was any point in making an allotment so late that was bound to lapse ?

A.—There was no question of lapse in this case because we were actually paying the Local Government what was due to them.

686. *Q.*—There is dispute as to facts whether the payment was made in the year or not.

Mr. Jukes.—There is another question. Was this payment actually being made to the Punjab Government or was it being made to the people from whom the land was acquired ? Had the Punjab Government actually paid the owners of the land and were you merely recouping the Punjab Government ?

A.—The Punjab Government I should say had actually paid for the land quite a year before, because if they had not we should have had to pay interest charges as well. In similar cases where payment to the owner of the land has been held up we have had to pay not only the cost of the land but interest as well.

Q.—But are you prepared to say that this amount does not include interest charges as well ?

A.—I should think that the sum does not include interest charges because the amount we paid was the amount we were asked for a year before.

687. *Sardar V. N. Mutalik.*—The Punjab Government had already paid for the land ?

A.—I think that must be the case.

688. *Q.*—Then it was only a question of adjusting accounts between the Central and Local Governments ?

A.—Yes.

689. *Mr. Webb.*—*Q.*—According to this note the land has not been acquired ?

A.—I think that is incorrect.

690. *Chairman.*—Will Mr. Jukes kindly let us have a statement* as to the facts of the case ?

The Committee desire to suggest that details of allotments from the reserve at the disposal of the Public Works Department should be given in the appropriation report. In dealing with the Finance Department it has been arranged that the details of the use of the Finance Department reserve should be given. We notice that details are not given for the Public Works Department reserve. There is a further question which we want to ask you. For what purpose is this reserve used ?

A.—The first charge on our reserve is lapses from the previous year. With a view to putting a stop to the rush of expenditure at the end of the year we have now given† Executive officers a definite promise that the money which lapses will be the first charge on our reserve. Once these charges are met the balance is used entirely for unforeseen and urgent work.

691. *Q.*—Is it used for this purpose entirely ?

A.—Yes.

Mr. Kaula.—Is there anything to prevent the local Administrations who exercise the powers of re-appropriation or for the department who exercise the powers of re-appropriation to transfer from this reserve for any other service ? Would your Audit Officer object to it for instance ?

A.—This I should say would depend on the audit officer. I may add that we have no objection to giving the details as is suggested.

692. *Kumar G. Sinha.*—When you can not foresee it, how can you give details ?

A.—We could give them later.

* Appendix XIV.

† Appendix XIX.

693. *Chairman.*—There is a saving under Original Works but during the course of the year, quite a considerable sum was added by other competent authorities with a view to additional expenditure. Can you explain the variations?

A.—I am afraid we have been let down by the Local Government here. The position is that they asked us for an extra grant for work which was urgent and did not intimate to us that they expected a lapse on this other work. As a matter of fact we did not hear of the lapse at all.

694. *Dr. Lohokare.*—Do you receive any reports about expenditure?

A.—They should have let us know.

695. *Q.*—Have you issued any orders for that recently?

A.—Many.

696. *Q.*—Do you get monthly reports?

A.—Here I think there is no doubt in this case that the Local Government had not proper control of the situation. They should have known that there was going to be a lapse in another part of the province and should not have applied for an additional grant.

697. *Q.*—Are there any means by which you can know this?

A.—Not except through Local Governments.

698. *Q.*—Do you think it would be useful if you could get monthly reports?

A.—We do get reports but we cannot check them or satisfy ourselves that they are correct in all respects.

699. *Q.*—You cannot check them.

A.—No.

700. *Chairman.*—Page 126 of the report? The Committee desire to know why no formal allotment was made to cover the expenditure in question?

A.—The accounts of the year had been closed when the necessity for an allotment was brought to light. For this reason it was considered that a formal allotment of funds was not necessary. The circumstances are as follows:—

Some 10-15 years ago certain rest houses were constructed on the Lohit Valley Road. At the time they were constructed, no one apparently imagined that they would be required for long and they were therefore built to a very inferior specification. This has proved to be wrong and recently the local authorities have been repairing, improving, and in places rebuilding these rest houses, and charging the expenditure to repairs. The local Accountant General questioned the propriety of this and said that the charge should be a charge against original works and not against repairs. He did not bring matters to light during the course of the year and apparently did not insist on a formal allotment of funds. Personally I think that the allocation depends very largely on the extent and nature of the repairs.

Mr. Kaula.—If it was a newly sanctioned work it should go before the Finance Committee.

A.—Strictly speaking what ought to have been done is this. They should, when preparing their estimates, have shewn clearly how much of the work to be done was chargeable to repairs and how much to original works. If the original works portion was over the ten thousand limit, it ought to have gone before the Standing Finance Committee.

701. *Sardar V. N. Mutalik.*—Where do you draw the line between original works and repairs ?

A.—That is a rather difficult question to answer. Our rule is that when the work done increases the value of the property as an asset, then the amount by which the value is increased is charged to original works.

702. *Q.*—It is a rather vague rule ?

A.—Mr. Kaula will I think agree with me when I say that it is rather a ticklish question. In our new Code we have re-drafted the rule and tried to make it clearer.

703. *Sardar V. N. Mutalik.*—What will prevent any executive officer from applying any grant for original works to repairs or vice versa in certain cases ?

A.—You mean what will prevent people from being dishonest ?

704. *Q.*—It is not a question of dishonesty. I would call it irregularity ?

A.—It is the duty of the inspecting officers to check such irregularities.

705. *Q.*—Don't you think that this is a case where you can easily evade the supervision of the Assembly ?

Mr. Jukes.—In this particular case it did not escape notice.

706. *Q.*—You have issued definite orders on the point ?

A.—There are any number of orders and rules.

Mr. Kaula.—The existing rules are sufficient. They will not escape the notice of the Audit Officer.

707. *Chairman.*—Pages 219 and 220 of the report. Irrigation works not charged to revenue (voted). The Committee are puzzled as to the meaning of "modifications sanctioned by competent authorities,—11,000 ?

A.—I think this is part of Mr. Harris' work. I am sorry I cannot explain it.

708. *Chairman.*—Page 222 of the report, appropriation accounts of capital outlay on New Delhi ?

A.—That is for Mr. Rouse to explain. He is appearing before you later.

709. *Chairman.*—Are you concerned with any of the cases mentioned in the Audit Report ? Would you tell us which you are concerned with ?

A.—Paragraph 3 xxiii to xxvi.

710. Q.—The Committee desire to have full particulars of these cases and to know whether any steps have been taken to improve the defects of the system which allowed such irregularities. Would you take one by one or all together.

A.—I think we had better take them together, as they all refer to the same division.

711. Q.—Was it the same officer in each case?

A.—Yes.

Taking the first case, *sub-paragraph xxiii* the officer is charged with not calling for tenders in an open and public manner with selecting his own contractors and giving them work at estimated rates, an action which resulted in loss to Government. There is nothing to be said in explanation of the irregularity. The charge is correct and the officer concerned should not have acted, as he did.

Sub-paragraph xxiv.—The officer is accused of rushing expenditure late in March as a result of which contractors were overpaid. The charge is justified. In fact the case is worse than the report makes out, for recently further irregularities resulting in loss to Government connected with this work have been brought to light. I can say nothing in defence of the officer.

Sub-paragraph xxv.—Similarly with the shortage of stock referred to here. The charges made are perfectly justified. Such a state of things ought not to have been allowed to occur at all.

712. Q.—Then we come to undue postponement of payments. What disciplinary action has been taken against this officer?

A.—He is an officer who was employed by the Government of India after he had retired from the service of the Punjab Government. He was taken on towards the end of the war when it was very difficult to get suitable officers and he was taken on in a temporary capacity. He has since been got rid of, and I can suggest no way, therefore, in which he can be punished. Further I think in a sense it would be unfair to hold him entirely responsible, for the Government of India extended his service (after being asked by the Accountant General not to do so) knowing quite well that in many respects he was unfit for the appointment.

713. Q.—Was his record with the Punjab Government satisfactory?

A.—I understand it was.

714. Q.—The irregularities then were those which occurred when he was taken on in a temporary capacity?

A.—Yes.

715. Q.—Your statement is that these irregularities were discovered but he was still continued to be employed?

A.—Yes. He was kept on for nearly 2 years after the notice of the Government of India had been drawn to irregularities in his division. Sir Frederic Gauntlett drew the attention of the Government of India to the irregularities and suggested that the officer's services should be dispensed with.

We tried to get a suitable man to replace him but failing to do so had to keep him on for another year. As soon as we got somebody to take his place we dispensed with his services.

716. *Mr. Iyengar.*—Don't you think this is a case in which the question of reducing the man's pension might be considered?

A.—I doubt it. I think the local Government for whom he was working when he earned his pension would strongly resent any such suggestion.

717. *Q.*—Is it a question for the local Government to decide? Has the Government no power to reduce the pension of a man who has behaved in the way this man has done, although he might have done loyal service to Government?

A.—He is drawing pension from the Punjab Government where his service was satisfactory. I doubt if that Government would agree readily to reduce his pension because the work he did for the Government of India was not good.

Chairman.—The question, therefore, is whether the Punjab Government is willing to reduce his pension in view of the action taken or not taken against him.

Mr. Iyengar.—If the Punjab Government does not think that this is a case for taking action the Government of India have no power in the matter?

718. *Chairman.*—Have the Government of India suggested to the Punjab Government that action should be taken against this man?

A.—They have not; as a matter of fact the audit officers themselves dropped the case in view of the fact that the officer in question had left Government service and because on a previous occasion the Public Accounts Committee had decided not to pursue similar irregularities committed by the same officer brought to light in a previous audit report, on the ground that no suitable punishment could be taken against an officer who had retired.

719. *Chairman.*—Were not the irregularities such as to raise the question of criminal prosecution?

A.—I think they were. At any rate, the one relating to overpayment of contractors was, I think.

720. *Q.*—Was the question of criminal prosecution considered?

A.—I think it was, and it was decided that we had not a good enough case to secure a conviction. As a matter of fact, most of these irregularities were brought to light a very long time after the transactions took place. Most of the staff concerned in fact all, I think, with the exception of one man, had left Government service.

721. *Q.*—Still the decisive question should have been whether a criminal prosecution was likely to be at all successful. The further question would be whether criminal prosecution could not be useful as a deterrent.

A.—My personal opinion is that so far as being a deterrent is concerned, I should prefer to prosecute in a case where we would be reasonably certain of a conviction.

722. *Mr. Iyengar.*—The Audit Department or the Department of the Government of India proceeded on the assumption that when a pensioned man is re-entertained and he misbehaves, the question of dealing with his pension cannot be touched and, therefore, once a man has done loyal service and earned a pension, it is a matter beyond their province to interfere with his pension.

A.—Not always. We have recently been considering a somewhat similar case in which the behaviour of an officer drawing a pension from the Central Government is concerned. In this case the Government of India have decided that the question of punishing the officer by reducing his pension may be considered.

723. *Q.*—If you are prepared to consider this question so far as the Central Government is concerned, certainly you can make a suggestion to the local Government in the same manner.

A.—Yes we might make a suggestion.

724. *Q.*—And if there is a general policy in this matter, then that could be enforced on the local Governments?

A.—I doubt it, because we would have to thoroughly satisfy the local Government that everything we said about this man was correct. In the case of a man drawing pension from the Central Government you have only got to satisfy yourselves.

725. *Q.*—I am only saying that this is a question of principle which ought to be considered.

No answer.

726. *Mr. Ahmed Ali Khan.*—You told us that the service shewn against him while he was serving in the Government of India was not a good record.

A.—Yes.

727. *Q.*—What action did you take?

A.—We reprimanded him and told him that his services would be dispensed with.

728. *Q.*—And yet you continued to keep him.

A.—Until we could get a suitable man to replace him.

Mr. Kaula.—Was his pay reduced or increased?

A.—It may have been increased. I don't remember. It certainly was not reduced.

Q.—I suggest that it was actually increased.

A.—I am not prepared to contradict you.

729. *Kumar Ganganand Sinha.*—Was any legal opinion taken whether the man could be prosecuted?

Mr. Kaula.—Not within the knowledge of the Audit Office.

A.—An investigation was held by the Superintending Engineer and an Audit Officer into certain of these irregularities and a report was written, and so far as I remember the papers were not shewn to any lawyer.

730. *Q.*—So the department decided by itself that no criminal prosecution would lie?

A.—As I have already said we dropped the case on the advice of the Audit Officer. He said that in view of the fact that the officer had left Government service and that no effective action could be taken against him he did not see the sense in prosecuting matters further.

Mr. Jukes.—I am not sure that the audit officer dropped the case. ^{He} has actually put his objection in the audit report.

731. *Mawlvi Murtaza Sahib.*—Are we to understand that no competent officer was available for these two years?

A.—For one year. After the Accountant-General drew our attention to this officer's unsatisfactory work we wrote round to local Governments and asked them to let us have a suitable man to replace him.

732. *Dr. Lohokare.*—Are there any instances of such irregularities being handed over to police for investigation?

A.—May I correct a statement I made. These papers were shewn by the Superintending Engineer to the local Magistrate and District Judge and his advice taken. I remember the circumstances now.

Mr. Kaula.—The shortage of stock case was shewn to the local magistrate and the District Judge and they advised that the case should not be pursued.

733. *Sardar V. N. Mutalik.*—What was the rank of this officer?

A.—Executive Engineer.

734. *Q.*—What rank did he have under the Punjab Government?

A.—I think he finished his service as Executive Engineer or possibly as Assistant Engineer.

Mr. Kaula.—Executive Engineer.

735. *Q.*—He was taken in the same rank?

A.—Yes.

736. *Chairman.*—*Q.*—Was this officer granted an increased pension?

A.—I think he applied to the Government of India for an increased pension but his request was rejected.

737. *Q.*—Was that the increased pension he would have earned had he continued?

A.—Had his service under the Government of India been satisfactory, I think he probably would have got something.

738. *Sirdar V. N. Mutalik.*—*Q.*—How long did he serve this Government?

A.—From about 1918 to 1923, about 5 years.

739. *Q.*—How is it that these frauds were discovered after a very long time?

A.—They were brought to light in the audit report.

740. *Q.*—How long did it take for the Auditor to check?

A.—Executive Engineers' offices are inspected by the staff of the Accountant General once a year.

741. *Q.*—Do you think that the system of employing retired officers is very good?

A.—Personally I am opposed to it.

742. *Q.*—Was his pay increased?

A.—I cannot say; Mr Kaula says it was.

743. *Q.*—Was it a permanent increase?

Mr. Kaula.—He was given an increase of Rs. 50 after these reports had been made by the audit officer. His services were retained for a definite period.

A.—I have here a note written by Sir Sydney Crockshank regarding this officer. In it he states that his out-door work and his executive work generally speaking was good, and that it is a regrettable fact that his accounts work was so inefficient, and this he attributes to the fact that he is a man of poor education.

I may say that he is an entirely self-made man and my own impression is that he was not capable of understanding and never really tried to understand the intricacies of accounts. At the same time I think all his shortcomings were not due to ignorance.

744. *Chairman.*—Take the charge made against him of not calling for tenders publicly. I hardly think this would have been a case of failure to understand accounts.

A.—I agree. What I meant, Sir, is this. There is any amount of evidence that this officer left the whole of his accounts work to his office staff to do. He took little or no interest in it. For months on end cases dealing with accounts questions on which orders were required lay on his table and he passed no orders.

745. *Sardar V. N. Mutalik.*—He was retained for two years after these frauds were brought to light?

A.—He was retained for the best part of two years after certain other irregularities were brought to light, because as I have already explained, we could not get a suitable man to replace him.

746. *Q.*—Did you requisition to any other Government?

A.—We wrote to several local Governments and asked for a man.

747. Q.—You could not get a man to take his place?

A.—No. Not a man possessing the qualifications we wanted.

748. Q.—What were the qualifications of this man. He had not passed any examination, I suppose?

A.—All I can say is that those whose names were sent up by local Governments were rejected by the Government of India as being unsuitable.

749. Q.—Did you write to any other Government except the Punjab?

A.—Yes, we wrote to several local Governments.

750. *Mr. Ahmed Ali Khan.* Q.—Are you still employing any retired officers in your Department?

A.—I do not think we have any one now.

751. *Chairman.*—Page 37 of the report, paragraphs 6 and 7. Hyderabad Division. “The Committee desired to know what action the Government of India have taken in the matter”.

A.—There are two charges here. The first is that an order for certain machinery was placed with a firm, an action which resulted in a loss of somewhere near Rs. 5,000 to Government. I would like to deal with this first. The actual position was that some work of a very special nature had to be undertaken in Hyderabad, work which the ordinary Public Works Department engineer could not really be expected to advise usefully on; the local engineer, not feeling competent to advise, requisitioned the service of a firm who were experts in this particular class of work and asked them to advise. This firm, after careful examination, advised what should be done—their advice took the form of recommending that certain machinery should be purchased from a well-known firm at Home for whom they were agents in India. Their advice was accepted and an order was placed with the Home firm. The Indian agents charged as their fee an agency charge of 10 per cent and it is to this that Audit has taken exception. Personally I consider it wrong to call this a loss to Government. Had the Executive Engineer not taken expert advice the loss to Government would possibly have been much greater. As a matter of fact the procedure adopted follows very much on the lines of what is now a rule of the Indian Stores Department.

752. *Mr. Iyengar.*—I should like you to cite the rule which enables you to place orders with firms of this kind?

A.—I cannot cite the rule offhand but the Stores Department, I think I am right in saying, prefer to place orders for machinery, not made in India, with local Agents, to obtaining it direct from abroad.

753. *Chairman.*—Page 27. Material deviation from the estimate for a work sanctioned by the Government of India without the approval of that authority and even of the local Administration.

A.—This is a breach of rules, but not a serious one, and it led to no loss to Government. What happened was that, during the course of the execution of certain work, the authorities changed their minds and thought

that something different to what was provided for in the estimate would be an improvement. Unfortunately, the engineer only got the approval of competent authority to part of the alterations which were made, doing the other part on his own responsibility. His action led to no serious result, however, for there was no excess either over the estimate or over the provision made for the work.

754. Q.—What disciplinary action has been taken?

A.—We could not take any action. Here again the man has left Government service. Further, he was not, in the strict sense of the term, a Government engineer. He was not a P. W. D. man. He was a man whom we employed as agent to do our work.

755. Chairman.—Page 28. Civil works. The Committee desire to know whether the state of work showed any improvement at present.

A.—This refers to work in Simla. I hope there is an improvement.

756. Q.—Have you anything further than the statement that "no marked deterioration in the quality of account work was noticed."

A.—I am in a somewhat awkward position here, as I am in charge of the Simla Imperial Circle myself. When I took over charge many things were not in the state they should have been in, but I think they are gradually being put right. It all takes time, however.

Witness then withdrew.

The Committee then adjourned till 11 a.m. on Monday the 17th August 1925.

Evidence taken at the tenth meeting of the Public Accounts Committee held on the 17th August 1925 at 11 a. m.

PRESENT.

Sir BASIL BLACKETT, *Chairman*,

MR. AHMED ALI KHAN

Dr. K. G. LOHOKARE

Mr. A. RANGASWAMI IYENGAR

Maulvi SYED MURTAZA SAHEB BAHADUR

Mr. M. WEBB

Mr. H. G. COCKE

KUMAR GANGANAND SINHA

} Members.

Mr. JUKES and Mr. KAULA were also present.

Mr. Rouse, *Chief Engineer, Delhi*, and Mr. Grindal, *Financial Adviser to the Chief Engineer called in and examined*.

757. *Chairman.*—The first question that we want to ask you arises out of page 222 of the Appropriation Report and paragraph 9 (g) of the Auditor General's covering letter, in relation to expenditure on Delhi Capital outlay. The Auditor General in paragraph 9 (g) of his covering letter draws attention to the non-utilisation of a sum originally provided for Land Acquisition and then partly re-appropriated to salaries.

Mr. Rouse.—May, I ask Mr. Grindal to explain this, because he was here at the time of the Budget?

Mr. Grindal.—The actual position is this. As regards the Rs. 1,33,000 transferred to the head "Salaries and Allowances" the actual expenditure against that was Rs. 1,00,653 and has been shown under the head A Salaries and Allowances where there is an excess shown. It is an error, I think—a misunderstanding in the matter of accounting. Of the Rs. 1,33,000, one lakh was actually utilised.

758. *Chairman.*—Q.—There was expenditure in England of $5\frac{1}{2}$ lakhs.

A.—Yes.

759. Q.—Where is the loss on Exchange here shown?

A.—The loss on Exchange is shown in one instance against Salaries and Allowances at the top and the balance is shown under D—Work Expenditure. It has been carried to its final head under D—Work Expenditure.

760. Q.—What has happened is, you have shown the loss on Exchange as part of the expenditure on salaries paid at home or expenditure in England on works?

A.—That is right, Sir. Of the Rs. 6,44,000, Rs. 5,63,000 was spent and the loss on that was about Rs. 2,73,000 of which one lakh came under Salaries and Allowance and Rs. 1,72,000 came under Works Expenditure and both the items have been carried to their final head of accounts.

Mr. Kaula.—You see the accounts are presented in a different form from the Budget estimates. Which of the two forms is the correct form?

Mr. Grindal.—The accounts is the correct form.

Mr. Kaula.—Then, may we take it that your estimates are not correctly prepared?

A. The demands and estimates are prepared for expenditure in England. Loss on Exchange is kept out of the account. According to the special orders of the Audit Office and the Finance Department it is adjusted during the course of the year and the loss on exchange is carried to the final heads of accounts. In the first instance, we budget in lump sum, because we do not know what the loss is going to be nor under which heads it is going to occur.

Mr. Kaula.—You know that your Budget estimates are supposed to be a forecast of the accounts. How can we compare the actual expenditure with the estimates unless the two are prepared in exactly the same form?

A.—The accounts provide for it. During the course of the year we take the money from the Budget estimate and put it to the proper head of account.

761. *Chairman.*—If the estimate shows no provision under loss on Exchange separately, when this Committee comes to compare the expenditure with the estimates, the material for making the comparison is not there.

A.—The loss on Exchange in Delhi is very peculiarly dealt with. It is outside the Budget estimate for the New Capital. We got special permission from the Government of India to keep the loss on Exchange as an automatic addition to the budget figures whatever the loss might be on a 2s. basis. We have arranged with the local Audit Office for a special appendix to be shown in the finance accounts and in this is exhibited all the loss on Exchange that is incurred outside the Budget estimates.

762. Your estimates for 1925-26 are still compiled with a separate head for loss on Exchange. It is still your intention when it comes to the accounts to distribute the loss on Exchange to the particular heads where it occurs ?

A.—Yes. We have to do that, I am afraid, Sir. As a matter of fact, in the estimates for 1925-26, you will find some slight improvement. We have actually shown loss on Exchange under salaries. We now show it separately.

Mr. Kaula.—That is exactly the point. Have you done that ?

A.—We have shown that in two parts.

Mr. Kaula.—You would have no objection to both the accounts and the estimates hereafter being prepared in the same form, and the accounts made clear to this Committee ?

A.—In the new proposals this has been provided for.

763. *Chairman.*—We come now to the Audit Report. Page 33. The Committee desire to have a fuller explanation of the matters referred to in paragraph 8(v) of the Report at the bottom of page 33 and the Auditor-General's letter forwarding the report.

Mr. Rouse.—There was a certain amount of furniture written off after being surveyed under proper authority and with the approval of the Superintending Engineer. It represents a value of rather less than 1 per cent. of the value of the stock of furniture in Delhi. The furniture was absolutely useless and was scrapped and sold for a sum of Rs. 233. Every year the furniture is overhauled and whatever is useless is written off and sold.

764. *Chairman.*—Has this furniture been used at all ?

A.—It had been used. Most of it was bought in 1912 or 1913. It had been used in camps, quarters, etc.

765. *Q.*—This is not new furniture that has been bought, kept in stock and deteriorated ?

A. No, Sir, it has all been in use.

766. *Q.*—It was originally purchased some 13 years ago ?

A.—Every year, we purchase a certain amount. I do not know if these particular items were purchased in 1913 or 1912. They have been in use for a good many years either in camps, in clerks' quarters, or the bungalows.

767. *Q.*—There is nothing abnormal about this deterioration ?

A.—Nothing abnormal, Sir.

768. *Q.*—It is used furniture and not furniture in store.

A.—Yes.

769. *Mr. Iyengar.*—Was this furniture actually in use when it was put to sale?

A.—Every year the furniture is overhauled after the Government of India have left, and the stuff that is useless is put aside, inspected by the Superintending Engineer, and written off.

770. *Q.*—These items of furniture were declared unserviceable only in the year in which you sold them?

A.—Yes.

771. *Q.*—And therefore, I take it, they must have been in use in some form or other at that time?

A.—They were in use up to the end of the previous cold weather.

772. *Q.*—Do you think that furniture which was worth Rs. 12,000 odd, which was in use actually, could only fetch Rs. 233 in auction?

A.—If you could see some of the furniture that comes back from the camps and quarters, you will realise its valueless condition.

773. *Chairman.*—Do you think that this is due to normal wear and tear?

A.—Yes, Sir. After all, if you had 100 chairs and one of them went to pieces at the end of about 10 years' service, you would not consider it anything abnormal. We have over 12 lakhs of furniture. Some of it is crockery which gets broken.

774. *Q.*—What is the total value of the furniture?

A.—It is well over 12 lakhs.

775. *Q.*—What percentage do you recover as rent?

A.—1½ per cent. per mensem, or 15 per cent. per year.

776. *Ahmed Ali Khan.*—You get rid of a certain stock every year and yet at the end you get rid of the whole lot.

A.—No, no. We have got over 12 lakhs of furniture.

777. *Q.*—I am referring to the furniture which you sold.

A.—That particular furniture was certainly worth no more. It was sold in auction. Most of it is absolute scrap.

778. *Mr. Iyengar.*—Don't you think it would be a better system to condemn furniture which has been destroyed or broken and treat it as loss instead of saying that it is unserviceable furniture which ought to be auctioned, because it gives a very misleading idea of the actual price.

Chairman.—I think that is just the system. A certain amount of furniture each year proves to be unserviceable. It is sold for what it would fetch and the balance is written off the stock account.

Mr. Kaula.—The result of the wholesale survey of all your furniture at the time was that only a few articles were found unserviceable?

Mr. Rouse.—The actual facts are that the useless furniture which the Estate Officer collected every year from the quarters and from the camps—

Mr. Kaula.—Excuse me, I only want to know the facts of this case?

Mr. Rouse.—I am stating the facts of this case. The Estate Officer collected the furniture that had become unserviceable, and I myself went round and saw all the furniture so collected and passed orders as to how it was to be dealt with. That is done once a year. But my successor has now ordered it to be done twice every year. I myself do not think it is much use doing it twice a year; it is only once a year that most of the tenants leave their quarters.

Mr. Kaula.—These particular articles must have been inspected 12 months previously?

A.—Of course I do not myself go round to every camp and every bungalow; I could not do it.

Mr. Kaula.—Some responsible person must have inspected these articles 12 months previously? Would it not have been more economical to condemn these articles 12 months earlier?

Chairman.—I do not think we need pursue the matter.

779. *Sardar Mutalik.*—Are there any more items of depreciation in addition to these?

A.—This figure is the actual figure showing the depreciation.

780. *Q.*—Is there anything in addition to it as depreciation?

A.—We do not keep accounts in that way for furniture.

781. *Chairman.*—In paragraph 16 of the Auditor-General's Report, referring to page 64 of Audit Report, he says that a very large proportion of expenditure in Delhi is placed under objection and that the Committee will no doubt desire to know what remedial measures have been adopted by the Chief Engineer. Have you any statement to make on it?

A.—Mr. Rouse.—The circumstances of Delhi are rather different as regards the accounts from the ordinary methods of procedure which obtain in other provinces, and I do not think the matter as reported in the Audit Report is a fair commentary. Our percentage of objectionable expenditure is put at 26·9 and as I shall show later, this represents the percentage on actual cash outlay and not on the amount accounted for. Also in this there are certain errors. For example, looking at the major items, there is one item of excess over estimate, the A. D. C. Railway Diversion 2,46,000—that item I may mention is not in any case under our control—certain credits were, however, wrongly allocated by Audit and the credits have since been adjusted and the excess reduced to Rs. 94,000. As I have already said, the expenditure is not under our control; the work is done by the Railway authorities.

Then again, there are the three items of the purchase of travelling cranes, broad gauge wagons and channellers; all these have been included as having exceeded the estimates; the excesses represent loss on exchange which our estimates do not provide for. Our estimates are based on a 2s. exchange in accordance with the orders of the Government of India, so that these items are not really excesses over estimates; we were acting according to our orders.

These items make up Rs. 3 lakhs of the objections. I have not gone into the smaller items to check their accuracy, but there are probably other errors.

Another large class of objections concerns the want of estimates, but this includes a large volume of expenditure on the preparation of stone, manufacture of bricks, etc., for the building works for which duly sanctioned estimates exist. For instance, we have the item of collection of materials for the Central Buildings, dressing stones, etc. The expenditure there held under objection is Rs. 22·59 lakhs. It cannot be said that there is no sanction to this. It is really a suspense account and all the expenditure is carried forward to the estimates sanctioned for the buildings ; that is to say the stoneyard merely prepared the stone for the Central Buildings where we have a properly sanctioned estimate. In accordance with paragraph 358 of the Code, in this particular case, no estimate need have been sanctioned ; it only required the approval of the Superintending Engineer—as a matter of fact we had in the Central Office, estimates for the preparation of stone which had been passed by the Superintending Engineer and they were ultimately sanctioned by proper authority. We were, however, recasting the estimates and recasting our method of accounts in the stoneyard and, therefore, sanction was delayed ; but what I am pointing out is that we did not need to have separate sanction for this work.

Similar cases are those of the electrical repair shop and the Barakhamba repair shop—the total of all these items is Rs. 23·65 lakhs. There are other items of a somewhat similar nature, such as the generation of electrical energy and the running expenses of the water supply which are gross and nett estimates. The difference between the gross and the nett figures (which is nearly the whole of the estimate) is passed on to the building estimates, etc., for which duly sanctioned estimates exist.

782. Chairman.—The only other point raised by the Auditor General is about these outstanding objections—objections outstanding since 1918-19 onwards—some of these items are said to be very old and it is said they seem to call for special attention.

Mr. Rouse.—We are going into this and doing our best to dispose of them. We have got our central accounts office now and I hope to get them all squared in a few months now.

783. Mr. Rangaswami Iyengar.—Can you say by what extent all these items will reduce the percentage of objections ?

Mr. Rouse.—Might I also explain another thing with regard to this. We have innumerable adjustments in our accounts between Divisions. Expenditure like the stoneyard expenditure is carried out by one Division and passed on to another which keeps the accounts of the expenditure against the sanctioned estimate ; and most of our expenditure is incurred in that way and the result is that we were in 1923-24, actually accounting for about $2\frac{1}{2}$ times the actual cash outlay, and, therefore, even if the erroneous items are included, the percentage of objectionable expenditure on the amount accounted for is less than 10%.

784. Q.—I am asking, having regard to the fact that the Auditor General has asked that the Department will no doubt desire to know what remedial measures have been adopted by the Chief Engineer, whether you cannot make improvements in the statement so that the percentage of these may be reduced.

Mr. Rouse.—The percentage will be reduced to a very large extent now through the Central Accounts Office, because we only have one adjustment for every transaction. Previously a Division which burnt bricks for a building Division, credited its account and debited the building Division, similarly the other Division credited the burning Division and debited its own accounts. This led to two possible objections over one transaction. Now we have only one adjustment on such a transaction, which is made in the Central Accounts Office.

785. Am I to take it that you are looking into it and taking remedial measures?

A.—We have done and are doing so.

786. Chairman.—This Central Accounts Office is expected to get rid of most of these objections. Have you anything to add, Mr. Jukes?

Mr. Jukes.—I am not in a position to challenge Mr. Rouse's statements about particular items in the account because we haven't the audit officer here who actually handled these things. I should just like to make certain remarks about one or two general statements. With regard to Mr. Rouse's statement regarding the item of loss on exchange—that the Finance Department had agreed to the existing procedure by which no estimate for loss on exchange is made, my answer is that this may be the fact but it does not remove the excess expenditure and that, so far as the Legislative Assembly and the Public Accounts Committee are concerned, there is still an objection which is and must be raised. The mere fact that the Finance Department have agreed to expenditure in the absence of an estimate does not absolve the spending authorities from giving an account of this expenditure to the Public Accounts Committee and Assembly.

Chairman.—I do not think that is quite the position because the Assembly actually votes money for the loss on exchange in each year.

Mr. Jukes.—My recollection is that the Assembly is in no way committed to vote this money for loss on exchange.

Chairman.—It does vote it.

Mr. Jukes.—It votes it in every individual year. The whole thing is difficult. The Assembly votes the expenditure in one actual year. It has not agreed to the complete expenditure on the project including the loss on exchange.

787 Chairman.—Has it not agreed in this case, Mr. Rouse?

Mr. Rouse.—As I understand the case, it has agreed. It was accepted by the Government of India in the Finance Department.

Mr. Grindal.—The Finance Department sanctioned the expenditure without reference to the Assembly in the first instance.

788. *Chairman.*—So the position is that the Government of India have told the Assembly that if there is any addition over and above the estimate they will come up for a special sanction, including loss on exchange.

Mr. Grindal.—Yes, Sir.

789. *Mr. Iyengar.*—Is it not possible to show particulars of the loss of exchange under several departments and put them before the Assembly.

Chairman.—It is done so even now.

Mr. Iyengar.—When the expenditure under a grant is actually incurred, is it not right that we should have at least all the details of the expenditure that is incurred on account of exchange in the several departments.

Chairman.—You do get the details as a matter of fact in the estimates.

Mr. Jukes.—About the railway expenditure. I think you call'd it A. D. C. What does that mean?

Mr. Rouse.—It means the diversion of the Agra-Delhi Chord.

Mr. Jukes.—As a matter of fact, a certain portion of it is actually charged against the Delhi project estimate ?

A.—Yes.

Mr. Jukes.—Even though it is not under your control, the fact remains that there is an excess agains the estimate ?

A.—Yes. But the officers doing that work are not under my control in any way.

790. *Chairman.*—But the responsibility for keeping an eye on the progress of expenditure is yours ?

A.—That is so.

791. *Mr. Ahmed Ali Khan.*—Do you take any departmental action to reduce the percentage of objections ?

A.—We are always endeavouring to reduce the percentage of objections. We do not like them any more than Audit does.

792. *Q.*—But have you taken any special steps to that end ?

Mr. Rouse.—We are doing our best to reduce the percentage. In a great many of these cases the objection was due to "want of estimates." Estimates, however, existed, and were under scrutiny in the Central Office. In other cases there was "want of agreement." Tenders had, however, been called for and accepted by the competent authority and the contract documents had gone to the Central Office for scrutiny. Owing to rush of work in office, there were delays in completing the contract documents and issuing sanctions to estimates. As a matter of fact once a tender has been accepted by the proper authority, you have an agreement in law.

793. *Dr. Lohokare.*—There was excess under the Railway expenditure. Has that excess been regularised ?

A.—Yes. But as I have already pointed out the excess was in this case mainly due to wrong accounting.

Chairman.—I think we have no more questions to put to Mr. Rouse.

(*The witness then withdrew.*)

Mr. Sim, Financial Commissioner, Railway Board and Mr. Philipe, Accountant General Railways examined.

794. *Chairman.*—Please see paragraph 4 on page 2 of your Appropriation Report, regarding reappropriation. The Auditor General states that the Public Accounts Committee may desire the Accountant General to mention specifically in his report the cases in which reappropriation has been made. Has that been done?

Mr. Philipe.—We have always reported incorrect reappropriations. As a matter of fact, on account of our system of pre-audit proposals for improper re-appropriations are stopped before orders are issued.

795. *Mr. Iyengar.*—I should like to know from Mr. Sim what is meant by this passage on page 2. “The question of laying down a general policy for the construction of staff quarters on railways has also been under consideration of the Railway Board but no decision has so far been arrived at.”

Mr. Sim.—The Railway Board has now prepared a scheme which they are putting up to the Government of India for sanction. They are proposing to lay down definitely the staff for whom quarters must be provided and also that all the expenditure in connection with quarters on any particular railway shall be pooled and shall give a definite return. But these proposals have not yet been sanctioned.

796. Q.—Have these proposals been put before the Railway Standing Committee?

A.—These proposals will go before the Committee as soon as the Government of India arrive at a decision on the question.

797. Q.—You mean to say that you will put them before the Committee after the Government of India has arrived at a decision?

A.—We wish to know first what the Government view is and then we will go to the Committee.

798. Q.—There are two things. The Finance Department has of course the right to scrutinise the estimates and to consider the case before you put it before the Standing Finance Committee. But the general question of the provision of quarters and the class of people for whom they should be constructed, are matters which will be decided in the Railway Board of the Government of India.

A.—Not necessarily. The various departments are concerned to a certain extent and they have all got their different methods of arranging quarters for certain classes of the staff.

799. Q.—All that I wish to say is that it is better to lay these schemes before the Standing Finance Committee first. If they have any suggestions to offer, the scheme can go before the Government of India.

A.—The present procedure is that the Government of India must come to some decision before a proposal is laid before the Standing Finance Committee.

I think your procedure, on the other hand, would rather put the Government of India in a very awkward fix.

800. *Mr. Iyengar.*—Paragraph 5. In regard to the question of re-appropriations of grants, last year you came before the Public Accounts Committee and explained that a new procedure has been adopted and you explained it. I would like to suggest to you whether it would not be better for you to adopt the procedure which they follow in England, namely of taking Votes on Account and then coming to the Assembly, instead of merely going to the Standing Finance Committee. Don't you think it would be better to come to the Assembly and ask them for a Vote on Account?

A.—We have rather changed the whole of the procedure with the concurrence of the Standing Finance Committee. What we have done is this. As regards the stores which we require for individual works, the Standing Finance Committee have agreed that after the work has been sanctioned a certain amount of money may be spent on a particular work and the indent shall be sent forward simply with a certificate that the stores are included within a sanctioned estimate.

801. *Chairman. Q.*—In paragraph 6 the Auditor General draws attention to the remark of the Accountant General as to requirements of funds in respect of capital outlay being overestimated and that sufficient attention was not paid to the matter of revising estimates and arranging for reappropriations. What have you to say to that?

A.—The Committee is aware that in past years there have been enormous lapses both under the capital grant and the grant for revenue expenditure in connection with works. That was due in the old days to the fact that as the railway authorities were never certain of the amount of money they were going to get they never could make proper arrangements for spending ; we have been assured by the Agents of all the railways that when a work is sanctioned the one thing to consider is the question of getting along with the work ; this separation of finance has only just been started and they have not got it into their heads that money will be forthcoming when necessary ; consequently they are still inclined very largely to overestimate the amount they are likely to require so that they shall not be hindered in their work ; for example, in the current year the Agents asked for roughly 33 crores for capital expenditure and, I think, about 12 crores for programme revenue expenditure. It was perfectly certain that they would not be able to spend the whole of that amount and we cut down the amount to 23 crores as the amount which they were likely to spend on capital account ; and in this way we hope to be able to get nearer to actuals, although we do not anticipate that we shall ever be able to approximate as closely to the estimates as we do in other portions of the budget.

802. *Dr. Lohokare.*—Is it the practice in the railways to overestimate capital expenditure ?

A.—Under the old system they were debarred from spending over the existing provision ; in order not to have work stopped they naturally made provision for proceeding with the work under any contingency that might arise and this led to overestimating for a particular year.

803. Q.—And it will continue to go on ?

A.—No ; this year we have got the Agents' estimates cut down by one-third.

804. *Mr. Cocke.* Q.—Have you cut down the grant from 33 to 23 crores really without telling the Agents ?

A.—I have told the Agents that they might spend up to 33 crores if they could and that I am responsible in that case for making arrangements that they shall be put in funds, by going to the Legislative Assembly.

805. Q.—Have you got any figures at present to show if your estimate of 23 crores is likely to be exceeded ?

A.—The working year has hardly started yet.

806. *Kumar Ganganand Sinha.*—Do you not think the present arrangement can be improved so as to have a close guard over that expenditure ?

A.—But we have a close guard ; the check that we have got is over the total amount sanctioned for each work ; for example, when we sanction a crore of rupees for a work, it might first be estimated to spend 50 lakhs in one year and 50 lakhs in another ; but mistakes arise about the rate of expenditure and instead of 50 lakhs they might spend only 25 lakhs in the first year and 75 lakhs in the second year ; what we have got to see is that the total estimate of 100 lakhs is not exceeded and that is the important thing.

807. Q.—Is it not possible to devise that in all cases of excess over the estimates you should go to the Assembly ?

A.—We do that, but that is when the whole grant for the year—of 23 crores—for all railways is exceeded. If there is a deficiency anywhere we can transfer from one railway to another ; we only come to the Assembly if we anticipate an excess in the total grant voted by the Assembly. The Agents themselves appropriate from one work to another inside the railway.

808. Q.—*Mr. Ahmed Ali Khan.*—Do you not think that it is an unsatisfactory arrangement that the Agent should submit to you an estimate and that you should revise it ?

A.—No, I do not think so ; I should always revise it.

809. Q.—What inducement have you to do so ? Surely they are better informed about their needs ?

A.—It is their tendency to overestimate that I check. Last year we spent between 18 and 19 crores ; since then railways have been making efforts to increase the works staff and I have estimated that they would be able to make an increase of roughly 25 per cent. in their spending capacity ; that was roughly how I worked out the estimate of 23 crores for this year.

810. *Mr. Iyengar.*—I want to get a clear idea of what the position is : Do you tell the Assembly when you put down in the budget an estimate of 23 crores for capital expenditure that really you have got estimates for 33 crores from the Agents, and that you expect them to spend only 23 crores ?

A.—Yes.

811. Q.—And you reappropriate the capital grant made for one railway, as part of the sanctioned schedule, to another ?

A. Certainly; and we have always had those powers, that is to say, as regards the rate of expenditure; it does not give any power to sanction important works not placed before the Assembly. The Schedule shows the total amount proposed to be spent on a work, and the amount anticipated that will be spent in the ensuing year and in passing that the Assembly and the Finance Department agree to the total expenditure on each individual work; and where there are substantial variations in any estimate of probable expenditure on any individual work i.e., where there is a substantial increase in the amount sanctioned for the whole work, I put it to the Standing Finance Committee. I do not put it before the Standing Finance Committee where there are merely variations of the probable expenditure on each individual work.

812. *Q.*—So far as these variations are concerned within the grant itself, the Assembly has really no control? Once we give the 23 crores, then the Finance Department is the master of the situation?

A.—Yes.

813. *Q.*—Do you think that satisfactory? Do you not think the Assembly ought to have more real powers?

A.—I do not think so; I do not think there is a single estimate put forward by any Agent regarding the amount likely to be spent on any individual work in any single year that can possibly be definitely adhered to.

814. *Q.*—Can you not by inspection of the railways be in a position to advise railway administrations to make their estimates more accurate?

A.—We are trying to do that, but it takes a certain amount of doing.

815. *Q.*—You say you have cut down the estimates from 33 to 23 crores: you are therefore proceeding on estimates which are to your knowledge faulty; cannot you improve this system?

A.—We are trying to improve the estimates; but take for example Madras; we put down substantial sums there for the construction of new railways; at present what is hampering the work and what is in fact knocking the Agent's estimates out of recognition is the fact that there is enormous delay in acquiring land, which does not lie with the Agent at all—it lies with the local Government.

816. *Q.*—But surely you can estimate that?

A.—We cannot estimate that.

Mr. Jukes.—Mr Sim has given a description of the way in which these estimates are prepared, which I am quite sure the Committee wanted, but he has not yet touched on the actual point which is raised in paragraph 6, namely, the question of better control by individual Railways of the allocation of funds and re-appropriation from one head to another. The question was whether that can be improved.

Mr. Sim.—As regards works, the question whether it is really necessary to take these individual sums and mark them against each work is a matter which we are at present discussing with the Auditor General and the Accountant General. Under the present rule the Agent has got to move money from one

work to another. Personally I am very doubtful whether we should not give him simply a lump sum for all the works. As regards other heads, we are trying as far as we can to get the Auditors on company lines to get a little nearer to their estimates as far as revenue expenditure is concerned at any rate.

817. *Mr. Iyengar*.—Can you not exercise more detailed scrutiny than merely suggesting to them to get nearer their estimates?

A.—They have got to report to us whenever they anticipate any substantial alteration in their original estimates.

818. Q.—Even in revenue expenditure?

A.—Both in revenue expenditure and in capital expenditure.

819. *Chairman Q.*.—The next point raised is in paragraph 7. According to paragraph 5 of the Government of India Resolution of 1924, cases of change in the method of accounting, such as those described, will be eliminated in future.

Mr. Philipe.—May I explain? It is really not a change in the method of accounting at all. It was really an adjustment which had been wrongly allocated in the first instance. There was no change in the method of accounting.

820. *Mr. Iyengar*.—Paragraph 8. You are considering, I take it, a comprehensive revision and rearrangement of the forms of the present annual Capital and Revenue accounts of railways. Has this been carried out?

Mr. Sim.—We are only just beginning.

821. *Mr. Iyengar*.—Paragraph 10. You are now having a new principle adopted in regard to costing improvements. I would like to know whether this allocation between the two will be made from any part of the Depreciation Fund which you set apart.

A.—Yes, the revenue portion comes from the Depreciation Fund.

822. Q.—You say that this, in effect, would result in Revenue being charged with the past cost of the worn out property, etc.

A.—Not on company lines. We have not been able to come to an arrangement with the companies.

823. Q.—That would be a matter of time?

A.—The point is simply this. If we bring in these new rules of allocation on company lines, they will score heavily in a way that was not contemplated when their contracts were framed. Unless we can get some *quid pro quo* we do not propose to apply this to the accounts of the companies.

824. Q.—This method of separating the cost of depreciation, wear and tear, addition by way of improvement, etc.—I want you to tell me how it bears, for instance, on the question of renewing automatic couplers. You will recollect that you put down 80 lakhs this year.

A.—The Depreciation Fund is solely started for what is known as complete units; that is to say, it will only apply in the case of the renewal of a complete wagon. If a bit of a wagon is simply put in, that goes against ordinary repairs. It is only when you bring in a complete wagon that we bring into play the question of Depreciation Fund or any allocation.

825. Q.—Take the question of addition or renewal by having automatic couplers. You incur an expenditure of 80 lakhs. Is it not a case of improvement and therefore an addition to the total value of the wagon?

A.—On the contrary, the cost of the automatic couplers is less than the cost of the existing couplers. It must be a charge against revenue.

826. Q.—Do you mean to say that the wagon is not improved by the fact of the addition of an automatic coupler?

A.—The working of the wagon may be improved, but the cost of the wagon has not increased. The existing couplers cost more than the automatic couplers.

827. Q.—Does it not improve the value of the stock?

A.—Certainly it does.

828. Q.—Therefore, should you not to that extent charge it to capital account?

A.—We have already abolished this system of charging improvements to capital. What we have on now is entirely the cost basis. That is to say, if we replace a thing by a certain other thing costing exactly the same amount of money, the whole money comes out of the Depreciation Fund. If the new article costs more, the extra cost goes to capital, so that, capital in effect in future will represent what money has been spent on the cost of the existing assets. We go entirely on cost now, whether it is an improvement or not.

829. Q.—Even if the wagon is worth more, in your accounts it will be shown as of less value.

Mr. Philipe.—It depends on what you call value.

830. Q.—How much was written off in respect of the old capital that has been replaced?

A.—We do not treat couplers as a unit at all. We propose to meet the whole charge from revenue. It is only when we scrap a complete wagon that we bring into play the question of the Depreciation Fund.

831. *Chairman.*—Paragraph 11. You say that a modification of the rules is now under issue.

Mr. Philipe.—Measures have already been taken towards the reduction of stores balance. Certain rules were issued in December, 1923.

832. *Chairman.*—Q.—Paragraph 13. The Auditor General suggests that the Public Accounts Committee may wish to comment on the importance of introducing piece-work and a bonus system as soon as possible. Have you anything to say on that?

Mr. Sim.—It has been introduced on most of the Railways as far as they can; but it is not a matter in which you can rush. For instance, on the Burma Railway, the other day they started introducing the piece-work system in the workshops and the workmen were naturally very hostile, and the Agent had, I think, for about two years, to continue to pay them either monthly wages or what they would get under the piece-work system, whichever was the greater. Then there was an audit objection raised that where we introduce the piece-work system, we should not pay the men anything more than they

are entitled to on the piece-work basis. This meant in the case of a certain number of workmen—a very small percentage—that at the beginning, they got less than they got under the old monthly wages system, and we had to insist on this practice being continued for several months. It is a very difficult thing to change the basis of payment. In the Burma workshops they have saved very substantial sums of money, although at the same time in a few cases they are still paying men more than they are entitled to. We cannot rush. Every Agent is trying to introduce it as far as he can.

Mr. Philipe.—I know that there is a lot of difficulty, because I happened to be on the North-Western Railway and what they call a bonus system was introduced, and we had difficulty extending for several years in getting workmen to look at it at all with favour. We had to go very slow.

833. *Kumar Ganganand Sinha.*—What is the difficulty experienced in Kanchrapara, to which you refer in this paragraph?

Mr. Philipe. A.—The question of Kanchrapara has been rather a difficult one. We tried to establish a separate Workshop Audit Office there, but there was difficulty about quarters and accommodation. This difficulty has been overcome and the Workshop Audit people are gradually trying to bring in piece work and bonus system there, the same as they have got on the North-Western Railway. That is all the reference to Kanchrapara there. As a matter of fact, we are rather waiting just at present, because the Railway Board have deputed a Workshop Officer and an Accounts Officer to study the piece-work and bonus system on English Railways, and a good deal would depend on their report as to the lines on which we would proceed here.

834. *Dr. Lohokare.*—Please see the statement at the bottom of paragraph 22. It shows a temporary set-back.

A.—Yes.

835. *Dr. Lohokare.*—Has it improved?

Mr. Sim.—Yes, it improved in the following year. There is nearly always a set-back whenever you make an increase in fares.

836. Q.—What is the percentage?

A.—It was mentioned in the Administration Report in full; I have not got the exact figures for these railways here.

837. *Mr. Webb.*—Don't you think there has been some falling back on account of the increase in motors?

A.—I can't say.

838. *Dr. Lohokare.*—[Paragraph 25 (b)]. Has this been credited to the general revenues, or elsewhere?

Mr. Sim.—It is a revenue credit and is the opposite of the entry of revenue expenditure in provision of land for subsidised Companies.

839. Q.—You have added it to the railway receipts or to the general Budget?

A.—It comes under a separate head. There is a separate head of expenditure for expenditure on land supplied to subsidised Companies. On the receipt side we have got a head—receipts from subsidised Companies. What

I mean by revenue expenditure is expenditure met from the revenues of the railway for the year. Under the contracts with the railways the cost of land supplied free to companies is met from the railway budget.

840. *Mr. Cocke*.—Have you any explanation to make on the question of the progressive rate of fuel economy.

Mr. Sim.—We get in returns every month now showing the consumption in each railway per engine mile and per ton mile. If the figures on any line go up the Agents' attention is drawn to the matter and the results watched.

841. *Mr. Rangaswamy Iyengar*.—On the Bengal Nagpur Railway, the Eastern Bengal Railway and the Oudh and Rohilkhand Railway there is an increase in the fuel expenses—what is the reason?

Chairman.—The point is really brought out on page 12—the ratio of operating expenses.

Mr. Sim.—I have nothing to add to the explanation there. The only thing is that the bu'k of the traffic of the Bengal Nagpur Railway is in minerals, coal and manganese carried at an extraordinarily low rate, and if the proportion of minerals carried in any one year compared with the rest of the goods carried goes up, naturally your ratio will go up. I mean if in any particular year you carry an enormous amount of goods that are carried at a very light rate, naturally your operating ratio as compared with the gross receipts will go up,—and the Bengal Nagpur Railway is particularly liable to it. The main proportion of it is coal and minerals which are always carried at an extraordinarily low rate.

842. Q.—Was it the case this year that on these railways minerals were carried in larger quantities than they used to be?

A.—I have not the figures available but suggest that as a reason in this particular case.

843. *Mr. Iyengar*.—Isn't it unreasonably high on the Eastern Bengal Railway?

Mr. Sim.—I don't know if you know that railway, it always will be very much higher there than in any other railway—because it has to tackle all these rivers, and there are heavy expenses in connection with pulling down temporary lines on the Eastern Bengal Railway.

844. Q.—I am asking you whether you agree with those comments?

A.—I agree generally with the comments.

845. *Chairman*.—That is, that it is higher than it might reasonably be expected to be?

A.—I think so. A good attempt was made to cut down expenditure last year. It is being worked at a profit now. There is now a very substantial improvement. Of course I must explain that on this line one way in which some saving has been effected is by closing down certain stations which have never paid.

846. Q.—There is a considerable expenditure in working expenses by the train mile?

A.—We do not work out expenditure usually on train miles except for passengers—we usually work out by ton miles.

847. Q.—But it is worked out at train miles on page 11 ?

A.—Yes. There is an improvement.

848. Dr. Lohokare.—How is the high cost of work on strategic sections of the North-Western Railway (page 12) explained ?

A.—We have shown them separately in our Administration Report. The commercial section is shown separately.

849. Q.—Are you now making it a separate grant ?

A.—Yes. The money for the strategic railways is provided from general revenues, not from railway revenues. We give you a return merely on the capital sunk on the commercial lines and not on the strategic.

850. Dr. Lohokare.—Is it going to be charged to the military budget ?

A.—That question was raised before the Standing Finance Committee on Railways and it was promptly dropped because it was pointed out that the only result of transferring it to the military budget would be to make it non-votable.

851. Chairman.—Q.—With regard to the Auditor General's note have you any explanation to make with regard to paragraph 43 ?

A.—This refers to proposals to supply land to these subsidised Companies. The Government of India decided not to spend any more money but to construct the lines themselves. Consequently the grant here was not utilised but it will be spent by the Government of India themselves under another head.

852. Q.—Have you any statement to make about the programme of expenditure ?

A.—The 150 crores thing has practically been dropped. The Assembly of course is still bound to provide 150 crores, but from each railway we get a programme showing what they propose to spend during the next five years and this is put up now before the Standing Finance Committee. I mean the original programme which totalled up to 150 crores was overhauled. We have got a fresh programme every year for the following five years.

853. Dr. Lohokare.—Q.—May I know the cost of that programme over and above the money not spent out of the 150 crores ?

A.—I am afraid I have not totalled them up. Fresh returns are just coming in from the Agents. As far as I remember they expect to spend roughly about 25 crores a year. The other proposal that is referred to has been dropped entirely.

854. Chairman.—Please see page 24 of the Appropriation Report. The Auditor General points out that an excess has occurred in the case of non-voted grants. This gives rise to the impression that Government make more provision for voted grants and deal with non-voted grants as a matter of minor importance ?

A.—I am sorry that the Auditor General has got this opinion. We pay as much attention to the non-voted grants as to the voted grants. As regards this particular item, namely $18\frac{1}{2}$ lakhs for interest charges, I am afraid I

personally have nothing to do with it. The amount that we pay for interest charges depends entirely on the average rate of interest which is charged on the Government of India Loans for the last few years and also upon the rate of exchange. I am afraid I cannot control them. In these cases we usually adopt the figures given to us by the Finance Department which regulates the provision under the same head for the whole of the Budget.

855. Q.—The point made by the Auditor General is that no steps are taken to regularize the excess. We are proposing on the civil side to introduce a system by which any excess on a sub-head, which we propose to introduce, will have to come up for formal sanction at some stage.

A.—We propose to follow that procedure. But these figures regarding the interest charges we received far too late to enable us to come up in that year.

856. Q.—In this particular case the excess was simply due to a reduction moved by the sanctioning authority. It was not an excess on the usual vote.

A.—The other charges, I may also explain, are due to the fact that it is rather difficult for us to know beforehand whether they are voted or non-voted. It depends entirely upon the particular officer who may be employed for a particular job. For instance, a man can be appointed to do a work. His pay may be non-voted; but the pay of the officer whom he has relieved may be voted. But it does not mean that the total grant has been exceeded. In fact, it is very difficult to say at the beginning of the year whether the pay of the officers on a particular work will be voted or non-voted.

Chairman.—It is not strictly an excess at all. It is a saving on the original grant.

857. *Mr. Iyengar.*—But the point made by the Auditor General is that whenever there is an excess of minor importance you always put it under the voted head rather than the non-voted head.

A.—This is not so.

Chairman.—We now come to page 45 of the Report. Have members any questions to ask?

858. *Dr. Lohokare.*—Please refer to paragraph 1, Bengal-Nagpur Railway. Does it mean that there are no means of control of progress of expenditure?

Mr. Philipe.—That is rather a special item. It was at the end of the year and possibly there was no time to get reappropriation made.

859. Q.—But you must be knowing the number of foreign wagons?

A.—There was a great deal of trouble about the hire charges of foreign wagons. The accounts were disputed and it has taken about four years to settle the accounts.

860. Q.—But you know the number of wagons used and the terms on which you have hired them?

A.—We did not know this till after the month was over. It has to go through the Wagon Pool officer at Allahabad.

861. *Chairman*.—Are you not in a position to control this. You ought to have some idea of the liability ?

A.—Ordinarily we have, but in this case there were lot of arrears. There was a census which was disputed by several railways.

862. *Q.*—In future such a thing is not likely to occur ?

A.—Not to this extent.

863. *Mr. Iyengar*.—Please see the bottom of page 45, 8 (b). I should like to know what is Khost Colliery ?

Mr. Sim.—This is one of the collieries of the N.-W. Railway. It was working at a loss.

864. *Chairman*.—Why was there such a long delay in writing off the loss ?

Mr. Philipe.—The position is that the colliery had never actually paid its way. The difference between the price of the coal as issued and the actual cost is charged at the end of the year to the ordinary working expenses of the railway. Why there should have been any delay this year, I do not know.

865. *Q.*—So you have no explanation as to why this delay has happened ?

A.—They have to get the sanction of the Agent. I do not exactly know why there should have been a delay in this case.

866. *Mr. Iyengar*.—Page 46. I find in the case of several railways that the reason given for short expenditure is less work done on the railway sleepers or renewals. I would like to know whether there is no definite programme by which Railways are asked to complete sleepers and rails by a certain fixed rate or is it merely dependent upon the amount of labour they have got ?

A.—They have got a definite programme in each railway. But there is always trouble about the receipt of the materials by particular dates.

867. *Q.*—That is the main cause ?

A.—Yes, the receipt of rails and the receipt of sleepers.

868. *Q.*—This year it was also due to giving effect to the Retrenchment Committee's cuts ?

A.—Yes. All these schemes were held up for several months until they were examined by the Railway Board.

869. *Chairman*.—Page 48, Item (3). The Auditor General draws attention to the erroneous adjustment which also led to saving under programme of revenue.

Mr. Sim.—That was practically universal. Most of the railways in India before we separated off the finances at the end of the year did not find enough money in the Revenue account and they charged it to the capital and as soon as they got revenue granted in the following year the credit was given to the capital. It was one of the things which we brought up in connection with the separation of accounts. They have been told definitely that they can get all the money that is needed whether it be from the Revenue account or the Capital account.

Mr. Philipe.—In this case there was rather a special thing. The erroneous adjustment was really due to the fact that the allocation was not fully noted on the voucher which came up and both the office which sent in the bills and the vouchers and the audit office misunderstood matters and put them all under the Revenue head.

870. *Q.*—This is the Chief Auditor of the Railway ?

A.—Yes of the Eastern Bengal Railway.

871. *Dr. Lohokare.*—Page 50, Item (1). Is it premature retirement or compulsory retirement ?

A.—Establishments were reduced very substantially under the Inchcape cut.

872. *Mr. Iyengar.*—So you retired people with a view to effect economy ?

A.—Yes ; a large number of people were made to retire.

873. *Dr. Lohokare.*—Was there any procedure laid down for these retirements ?

A.—The question of disposing of the establishment was entirely left to the Agents. It was largely a matter of efficiency.

874. *Q.*—In explanation (4)—Eastern Bengal Railway—it is stated that there was a shortage of officers.

A.—They were really trying to economise and consequently they did not recruit to full sanctioned strength in the way they would have done ordinarily.

875. *Q.*—There was no dearth of suitable men ?

A.—No ; it was merely a question of not filling up all the vacancies to see if they could get on with a smaller staff than the sanctioned strength.

876. *Mr. Iyengar.*—*Q.*—At page 53—paragraph (1)—it is said that the excess is due to larger consumption of coal per engine mile than was provided for : why was that ?

A.—I expect it was owing to additional traffic and more engine miles run : there was an increase of 4·7 lbs. in the consumption of coal per engine mile.

877. *Q.*—Is it that you have got an engine which consumes more coal ?

A.—More coal per engine mile.

878. *Q.*—Why did you not anticipate it ?

A.—It is impossible : it depends on the quality of the coal and other factors too. The reason was this, that there was an increase in the ton miles of $4\frac{1}{2}$ per cent., that is, in the amount of goods carried : the actual increase in cost is only 2 per cent. ; it is the ton mile that ultimately regulates the consumption of coal ; the more the engine has to pull the more coal it has to consume. The explanation is that they were doing more work and consuming more fuel.

879. *Q.*—May I then put it to you that there was really more traffic and that that cost more per engine mile ?

A.—Certainly.

880. *Chairman.*—Page 54, item (1). Have you anything to say on that?

A.—This is the same question as the one we have been discussing before, estimates of expenditure on programme revenue expenditure. The Bengal Nagpur Railway as a matter of fact have always been even more optimistic than other lines : this year we cut down their estimates by one-third.

881. *Q.*—Re. item (2). The Auditor General also asks here as to why there was failure to make the adjustment mentioned in the last sentence?

A.—The point is that the engines were not scrapped in that year and we do not adjust them till the engines are scrapped.

882. *Q.*—Item 3?

A.—As regards item (3), that is an impossible thing to do in the beginning of the year ; a rough estimate is made of the value of the rails, but the actual valuation can only be done when the rails are taken out and their condition scrutinised.

883. *Mr. Cocke.*—Is it a question of weight?

A.—It is a question of the condition of the rails—what they will fetch if you sell them.

884. *Q.*—Why was the figure taken at Rs. 100?

A.—That was the estimate the Chief Engineer originally made ; but it was afterwards found that they were in a worse condition than he anticipated.

885. *Mr. Iyengar.*—*Q.*—Do you mean to say that a rail deteriorates 25 per cent when it is taken out of one place and put into another?

A.—It is impossible to say what the condition of the rails is until you actually pull them up. I quite agree that it was a bad estimate, but we never expect them to be absolutely accurate.

886. *Mr. Cocke.*—Is it a question of relaying them somewhere else, or do you sell them?

A.—There is a market for old rails and they can be sold.

887. *Chairman.*—The Auditor General asks, as regards explanation 5, why provision was not made in the estimates for the arrear charges of previous years?

Mr. Philipe. *A.*—I have got a reply from the Chief Auditor, East Indian Railway, and he says:—

“ I have the honour to state that in 1920-21, 1921-22 and 1922-23 certain portions of the main line were relaid with heavier section of new rails than provided for in the estimates for relaying for those years. In allocating the actual expenditure to Capital and Revenue, the Engineers debited Capital in excess. When the Revised Budget Estimate for 1923-24 was prepared, the question of adjustment between Revenue and Capital on this account was under reference and the amount required on Revenue account had not been definitely ascertained and was underestimated.”

888. Item 10 ?

A.—As regards item (10), the adjustment for these boilers was carried out in accordance with certain orders from the Railway Board which were issued in April, when it was too late to surrender the grant.

889. *Q.*—When were these spare boilers asked to be dealt with in this way ?

A.—The point really was this : The question has been raised by the railway companies that the expenditure of keeping on reserve boilers which you may want to put into locomotives is a proper charge against capital and not revenue as was done before ; it was then decided that their contention was correct and the expenditure ought to be charged to capital ; that order was issued in April 1924.

890. *Chairman.*—*Q.*—Page 63. The Auditor General draws attention to the fact that no provision was made for expenditure on account of the Statistical Committee and the E. I. R. Committee by reappropriation : what is the reason ?

A.—The provision for the Statistical Committee was really included in the lump sum of Rs. 1,50,000 which was intended for Surplus Establishment and Miscellaneous Charges ; we always put down a lump sum grant for charges of this nature which we cannot definitely foresee.

891. *Q.*—You do not mention it in your estimates ?

A.—We cannot foresee all the committees that might come into existence ; when the actual expenditure is incurred, we show it in detail by important Committees, etc.

892. *Q.*—As regards item (2) at page 66. The Auditor General says that the Public Accounts Committee may want to know whether the non-acquisition of land was due to delay in the land acquisition proceedings by the civil department or whether provision was made for the acquisition of land without a reasonable expectation that such provision would be utilised.

A.—There was enormous delay in the acquisition proceedings in Bombay, which is responsible for the lapse of 40 lakhs last year ; a great deal of the delay over the Grant Road acquisition was due to a lot of suits in the courts about it.

893. *Q.*—It was, then, delayed by the Local Government ?

A.—Yes ; but some cases went into the courts as well.

894. *Mr. Cocke.*—*Q.*—Are those difficulties at an end now ?

A.—I do not think so ; they are very contentious cases.

895. *Dr. Lohokare.*—How many days in advance do you receive accounts for these land acquisitions ?

A.—It is impossible to say. In some cases 2 or 3 years, in some, quickly. Some of them may be taken to the civil court, particularly in towns.

Mr. Jukes.—What is not known is whether there is going to be a suit or not.

896. *Chairman.*—Page 67, item 12, Khyber Railway. The Auditor General draws attention to the fact that failure to take into account in the grant credit for work done would seem to indicate defective budgeting.

Mr. Philipe.—The trouble was that they did not anticipate that credit would be afforded by the North-Western Railway in the accounts of that year. It is just a case where they had not enough information to decide whether it would be done that year or the next year.

897. Q.—Do you agree with the Auditor General that the budgeting officer ought to have known this?

A.—On the face of it it would appear to be so, but it is often very difficult to get exact information as to the date on which some of these things will be accounted for. As Chief Auditor of a Railway, I know how difficult it is to get information. You may presume that you have all the information and say that a certain thing will be done, but then there is some unforeseen delay and the thing is not done.

Mr. Sim.—There is another point. This does not in any way affect the total Budget. There is a saving of Rs. 1,71,000 under the head Khyber Railway and an increase of expenditure on the North-Western Railway.

898. Chairman.—But the point is as to the powers of re-appropriation. If Finance Department and Railway Department are to justify the possession of these considerable powers of re-appropriation they ought to make every effort to make their budget estimates correct.

Mr. Iyengar.—At least the Public Accounts Committee ought to look into it.

Mr. Sim.—Certainly. But it does not affect my total budget.

899. Chairman.—Page 69, item (3). The Auditor General suggests that the provision of Rs. 8,20,000 under this head indicates defective budgeting.

Mr. Philipe.—It was not so much defective budgeting as a mistake in allocation. The charges for the Power House were first wrongly put under "Structural Works" instead of under "Equipment."

900. *Kumar Ganganand Sinha.*—What are you doing to improve that mis-classification?

Mr. Philipe.—The Chief Auditors on the Railways are more or less responsible for getting information. Usually most of these errors are due either to a misunderstanding or to an insufficient allocation in the original documents. We take up each case as it occurs. It does not often occur.

Mr. Sim.—It is merely a clerical mistake.

901. *Dr. Lohokore.*—On page 68, under the heading "all other Railways," you have spent 61,000 (on Tank Kaur Railway). No provision was made in the Budget. You have spent 16,000 as against an original estimate of—45,000.

A.—The minus estimate is due to the fact that we expected to get credit from some materials, which did not materialise that year.

902. Q.—And still, you spent Rs. 16,000?

A.—Yes.

903. *Mr. Cocke.*—May I ask one question on the total? The net grant available on page 68 is Rs. 26,86 lakhs, of which only Rs. 11,88 lakhs were

actually spent, thus giving a saving of 17 crores. That is what you called was the equivalent figure of the 23 crores in speaking this morning. On the basis of the latest figures here, you estimate that out of 33 crores you could only spend 23 ?

Chairman.—I do not think Mr. Cocke is right in speaking of it as the equivalent figure of the 23 crores. Look at page 65. The actual expenditure is Rs. 20,79 lakhs as against a provision of 38 crores.

A.—Yes.

904. *Q.*—Page 76, Explanation (2), East Indian Railway.

Why could the necessary additional funds not be provided for by re-appropriation during the course of the year ?

A.—It was a mistake on the part of the Chief Auditor in not charging a certain staff to the proper head. He charged the staff for this work on the General Establishment for his Railway, and he ought to have applied formally for a re-appropriation from that general head to this particular head.

905. *Kumar Ganganand Sinha.*—Since when was the establishment for the Upper Sone Bridge kept ?

A.—Since it started remodelling the whole of that bridge.

906. *Q.*—Land was purchased ?

A.—For carrying out the work—re-girdering of the whole of the Upper Sone Bridge.

907. *Chairman.*—No. (3), page 76. The Auditor General comments that the actual expenditure is nearly 15 times the original grant and that it is difficult to believe that the error would not have been detected and adjusted during the year had there been a proper watch over the progress of the expenditure.

Mr. Philipe.—It is really a mistake in the Audit Office. It is due to the cost of materials obtained for certain special works having been charged off to the head General Charges instead of to the works themselves.

908. *Mr. Iyengar.*—Then they would have come under scrutiny under these heads.

Mr. Philipe.—*A.*—They should have been included in the expenditure on the works. Instead of that, they charged them to this head.

Mr. Sim.—It is undoubtedly a clerical mistake.

909. *Chairman.*—Have you taken any steps to prevent this ?

Mr. Philipe.—This refers to Companies' lines. It has been pointed out to them.

910. *Mr. Iyengar.*—My point is this. If it had been put under the proper head instead of under this head, the Auditor would have scrutinised it—whether the expenditure was necessary or not.

Mr. Sim.—The thing was found out in April and adjusted in the accounts of March.

911. Chairman.—There was no failure to control the expenditure?

A.—There was no difficulty about that.

912. Mr. Iyengar.—Page 78. In regard to the excess under South Indian Railway, it is mentioned that it is due to "English stores paid for in England but not received in India during the year to be charged to works, surplus materials returned to stock from works in excess of anticipation." Is that the procedure in respect of charging stores in other Railways also? When you purchase stores from England and when you don't receive it in India, do you immediately charge it to expenditure?

Mr. Philipe.—You may remember that I explained this matter very fully in a note last year. It was practically one of those cases where they expected certain stores to come out and budgeted for them and then they did not arrive. They were paid for actually in England and they were charged to Suspense, but Suspense was not cleared because they did not arrive and were not issued out and charged to works.

913. Mr. Iyengar.—You have taken care that these stores were actually delivered?

Mr. Sim.—But they did not arrive in India.

Mr. Philipe.—The procedure is that as soon as they are shipped in England a certain portion of the money is paid and brought into the accounts, but until those stores come to India and are issued to works, the suspense head to which they are charged in the first instance cannot be relieved. The goods were here actually on board.

914. Chairman.—Page 79. I am a little puzzled as to where the exchange loss is shown?

Mr. Sim.—The exchange is shown under India. We do not adopt this system in the Administration Report of the Railways. We show the expenditure in connection with stores purchased in England and stores purchased in India in the bulk including customs and everything else.

915. Chairman.—The point is that the statement of total expenditure in England is a little misleading?

Mr. Hayman.—Yes but we are following the prescribed system of accounts here. In the Budget Estimates it is always brought out, but in the compiled accounts it does not appear as a separate item.

916. Chairman.—This does not seem to me satisfactory; I should prefer to have a separate column for exchange.

Mr. Philipe.—We can always do it. The trouble is of course that exchange on capital works all eventually goes out to the final heads.

917. Q.—(Pages 80 and 81) Great Indian Peninsula stores. Any explanation?

Mr. Philipe.—This is rather a particular item due to charges for Government railway stores having been booked against the Great Indian Peninsula. That Railway acts as a sort of distributing agency for Government stores, and here they had not cleared it.

918. *Chairman.*—I am not sure that I follow your explanation.

Mr. Philipe.—The point is that the Great Indian Peninsula Railway is the distributing agency for all the other railways for goods arriving in Bombay. These goods are charged off against the Great Indian Peninsula and subsequently cleared off by charge to the other railways. It was not really expenditure incurred in connection with the Great Indian Peninsula : the bulk of it was money due from other railways which they had not paid.

919. *Q.*—There was a pretty large lapse in the English expenditure under the South Indian Railway, Rs. 7,97,000 ?

A.—That means that they provided money for it, and the money was not spent—and in our Indian budget estimates we actually anticipated not only that the money would be spent but that the stores would come out and be issued to works.

920. *Q.*—In this case nothing has actually been spent ?

Mr. Philipe.—This is a suspense head. They did not get a credit. The stores were not actually issued.

As regards the excess of Rs. 6,66,000, under the Indian portion, it is simply a case where they expected materials to come out and be issued to works. They *were not* issued to works : therefore there was an excess under suspense in India. As in the case of all English materials, there is a certain amount of delay in their coming out and being issued.

Evidence taken at the eleventh meeting of the Public Accounts Committee held on the 18th August 1925, at 11 a. m.

PRESENT :—

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN.

Dr. K. G. LOHOKARE.

Sardar V. N. MUTALIK.

Mr. A. RANGASWAMI IYENGAR.

Maulvi Syed MURTAZA Saheb Bahadur.

Mr. M. WEBB.

Mr. H. G. COCKE,

Kumar GANGANAND SINHA.

} *Members.*

Mr. Jukes, Mr. Philipe, A. G. Railways, Mr. Sim, Financial Commissioner, Mr. Sheridan, Member, Railway Board, and Mr. Hayman, Deputy Director of Finance, Railway Board were also present.

921. *Chairman.*—We shall first take up this morning the points arising out of the last year's report in respect of expenditure on railways. A small document* has been circulated showing the action taken on last year's report. No. 11 refers to the procedure for indenting for English stores. That was mentioned yesterday.

Mr. Sim.—Yes. The present position is that we cannot send forward indents unless they are for a sanctioned work and that has already been approved of by the Standing Finance Committee of the Assembly.

922. Q.—No. 19 refers to statistics showing the ratio of working expenses to gross earnings being given in the Railway Appropriation Report. That has been done. No. 20 is the question of the increase in payment of compensation claims by the E. I. Railway for goods lost or damaged. There is an actual decrease this year.

A.—There is a substantial decrease this year. The total claims have gone down from 122 lakhs to 53 lakhs, but it was certainly bad on the E. I. Railway. We have been at them on this question for the last three years and they are now taking drastic steps to secure punishment of the staff who are responsible. The claims in 1923-24 were a little over 40 lakhs. I have just come from an inspection with Mr. Sheridan of the E. I. Railway and in the last quarter their payments were only Rs. 4½ lakhs and that included an enormous number of arrears. I am hoping to cut the annual payment down to 15 lakhs but I do not mean to imply by that that even then it is a sufficient reduction. They have been taking drastic steps in the way of increasing their private police force, the fencing of yards, the locking up of wagons and the lighting of sheds. But the main thing is that they should be able to localise where these losses occur, in which particular trains, under which particular guards, in what particular yards and who the yard masters are who are responsible and as soon as cases are brought to notice they have simply arranged now for dismissing the men responsible.

923. Q.—This matter has been taken up by the Railway Board with the Railway Advisory Committee?

A.—I do not think this particular question has, Sir.

924. *Sardar V. N. Mutalik.*—Have you deputed a special officer for that purpose?

A.—We have got a special watch and ward staff on the E. I. Railway. They cost about a lakh or so of rupees.

925. Q.—Why is it that the figure for the E. I. Railway is much higher than the figures for the other railways?

A.—They carry a class of goods which is much more open to pilfering. For instance, an enormous amount of piece goods go through a more populous part of the country than the tracts through which the North Western passes I should think. Another thing is that the proportionate amount they pay is very much higher than what, for instance, the B. N. Railway pays which merely carry minerals which are practically never stolen and which are sent at owner's risk.

* Appendix II.

926. Q.—The same is the case with the O. and R. Railway?

A.—It was bad. On five railways they were very bad.

927. Q.—In these two railways, that is E. I. Railway and O. and R. Railway it is much higher?

A.—There are five railways which were very bad. E. I. Ry. is always much the worst, and the others are O. & R. Ry. and N. W. Ry., G. I. P. and B., B. and C. I. If we compare the compensation claims paid with receipts from goods traffic in the other railways it is roughly what it was before the war, but in these five railways we have been trying to cut it down for the last three years and we have got down the claims from 121 lakhs to a little over 50 lakhs and we hope that on the E. I. Ry. it will be 15 lakhs this year.

928. Mr. Iyengar.—Have you come across complaints that so far as claims payment is concerned there have been bogus claims?

A.—Certainly. That was in a large number of railways in India.

929. Q.—Have you taken any special measures to avoid that?

A.—Yes. Each individual case is very carefully examined and they try as far as possible to locate responsibility for the loss of each individual consignment.

930. Q.—But I am asking you about bogus claims which means that there is corruption.

A.—A large number of our staff has been sacked. It is the only way to stop it.

931. Q.—I was told there were comments in judgments of High Courts on the matter of these bogus claims in the O. & R. Ry.

A.—I think you must be referring to the stores frauds. There was one case about three years ago where payment was made to a man who did not own the wagon. That is the case you refer to.

Chairman.—We have got it in evidence that the thing is improving and that careful steps are taken to prevent the thing. I do not know whether it is worth pursuing it any further now.

932. Sardar V. N. Mutalik.—Last year we were on this point. I put a specific question last year. It was said that the offences were committed by a particular community.

A.—I do not think it is confined to any particular community.

Mr. Iyengar.—Mankind is the same all over.

933. Chairman.—I think we may take up 25, as to the desirability of a closer check being exercised by the Government Examiner on the accounts of Company managed lines. Another item is that a report of the steps taken or proposed to be taken on the desirability of making the Auditor on Companies' lines independent of the Agent, referred to in page 61 of the P. A. Report for 1921-22, be placed before the new Committee.

A.—The matter has been examined and the Finance Department agree with the view which is summed up in the last paragraph of the *memorandum.

934. *Sardar V. N. Mutalik.*—Apart from the contracts can we not make any private arrangement?

A.—We cannot interfere with the relations between the Chief Auditor and the Board of Directors of the companies. You will see from the memorandum that we wrote to the companies in 1914, I think it was, and suggested that they should give their Auditors a certain amount of independence. On that they wrote to the Auditors and pointed out that it was not only their power but their duty to report cases where they differed from the Agent to the Board of Directors and they asked the Agents where there was a point in dispute to report it to the Board of Directors.

935. *Q.*—So nothing could be done further?

A.—You cannot make the Chief Auditor independent of the Board of Directors. He is really there for representing their interests.

936. *Dr. Lohokare.*—*Q.*—You say that the Auditors can be made independent if the Government want to do so?

A.—You are referring to the Chief Auditor who is employed by the Board of Directors on the company lines.

937. *Dr. Lohokare.*—We cannot enforce them?

A.—No.

938. *Mr. Iyengar.*—Has this question of their non-liability under the contract been examined legally by legal officers?

A.—I think it was examined in 1914.

939. *Q.*—By the law officers of the Government?

A.—I think so.

940. *Q.*—And they came to the conclusion that it is not possible for you to enforce this upon the companies?

A.—Yes. We could not go any further than to make recommendations.

941. *Q.*—I want you to tell me specifically whether the law officers were consulted?

A.—I have not got the papers.

942. *Q.*—It is a question of law?

A.—The contract was examined both by the Finance Department and the Auditor General and they both agreed that it was impossible under the contract to take such steps as were suggested.

943. *Q.*—Do you agree that that system is a good system, namely, that in which the Chief Auditor is not independent?

A.—He has the power in every railway to report the agent to the Board of Directors.

944. *Q.*—That is all right but what I am saying is this. Do you consider that a system in which the Chief Auditor can only report the agent and has no independent powers is a sound system?

A.—He has got to be responsible to the Agent. Certainly I agree that he ought to have the power to hand up his agent if he commits any irregularity. But he has that power now.

945. *Q.*—Only in some of the railways but not in others?

A.—In all. He can either report direct or ask the Agent to send on his representation.

946. *Q.*—Well, he is only his subordinate?

A.—In a sense he is.

947. *Q.*—You think that will do for the present?

A.—I think so.

948. *Q.*—With reference to what the Government of India have said in their letter to the Agents through the Railway Board, I want you to let me know whether the Audit Report by the Government Examiner would command the same attention from the Board of Directors?

A.—The Board of Directors see both the report of their own Auditor and the note written thereon by the Government Examiner.

949. *Q.*—Do the comments of the Government Examiner command the same authority with the Board of Directors?

A.—I should think so, because after all we take action on what the Government Examiner brings to our notice.

950. *Q.*—To what extent does the Government Examiner exercise powers of audit or supervision of expenditure in cases where the expenditure has been primarily audited by the company's auditors?

Chairman.—I think that is the next question. No memorandum has in fact been circulated. Are you prepared to make a statement?

A.—The present position is the Auditor General has as a matter of fact strengthened his staff for that purpose. There was money available owing to the abolition of the work of the Government Examiner on the East Indian and G. I. P. Railways. He has utilised that money in strengthening the staff employed in the Government Examiner's staff in the B. N. and B., B. and C. I. Railways.

951. *Mr. Iyengar.*—What I want to know is to what extent the Government Examiner's strictures, if I may say so, on the expenditure of the railway are of value as compelling the Agent to carry out what he proposes. Suppose he comments on a particular expenditure as being irregular and says that it should be regularised by some arrangement which he suggests, is the company bound to carry it out?

A.—We always go for the company on any of these questions raised by the Government Examiner.

952. *Chairman.*—Will you tell us the extent of the audit of the Government Examiner himself?

A.—The Government Examiner is supposed to deal with all the points in which the interests of the company and the Government diverge. Those

relate to questions of allocation of expenditure between capital and revenues. In all those cases the Government Examiner comes in. Naturally the Chief Auditor interprets the rules in a manner which will suit the company and the Government Examiner looks to the interests of Government. Those cases come up for settlement. If the Government Examiner's view is not accepted by the Company, they could force us to refer to arbitration. It ought to be the business of the Chief Auditor to stop irregularities and things of that sort in the interests of Government. I understand the Government Examiner checks about 10 per cent. of the cash transactions.

The Auditor General proposes to strengthen or increase the staff engaged on this check.

953. *Mr. Iyengar*.—My point is this. Supposing the Government Examiner points out irregularities, is the Chief Auditor bound to regularise it or is the Agent bound to rectify the mistake?

A.—They can certainly dispute it. It is open to them to dispute the point with the Railway Board, or with the Auditor General.

954. *Q.*—Then it will come to arbitration?

A.—They could force us to but I had never a case where they referred to arbitration.

955. *Q.*—I have been told of a case in which the Government Examiner considered that there were certain irregularities, that there was a certain shortage which was not properly accounted for. Subsequently the matter went to the Chief Auditor who passed it as being correct. I want to know what happens in such a case?

A.—He reports the case to the Accountant General and the Accountant General takes it up with the Railway Board and the Railway Board take it up with the company.

956. *Q.*—Supposing the company's auditor thinks otherwise?

A.—Then it comes out in the Audit Report.

957. *Chairman*.—Is the Government Examiner's report the only source by means of which the Railway Board's attention is drawn to irregularities?

A.—We have the Deputy Accountant General, apart from that. Moreover we get continual reports regarding their expenditure on particular works.

958. *Chairman*.—You would not give us any positive or negative answer on the question?

A.—The Auditor General has started strengthening the staff. I do not naturally wish to burden railway revenues with any considerable extra expenditure and I think we may get a report from him in two years' time as to the results.

Mr. Jukes.—I want to say only this much on this matter that I will be content for one year—not for two years—to watch the experiment of strengthening these two staffs and to await the result of the experiment on the two particular lines before going any further.

959. *Chairman.*—You are utilising the staff of the Government Examiners on the E. I. R. and G. I. P.

Mr. Jukes.—We are employing them on the B. N. and B., B. & C. I. Railways. We shall watch the working for a year and see what the results are. I do not want to commit myself beyond that at present.

960. *Mr. Iyengar.*—The question I want to put to you is this: Are the estimates that you get from the railways only estimates of capital expenditure on construction work or is it revenue expenditure?

A.—We have got to sanction the whole of their budget and we get returns every month showing what expenditure has been incurred under each separate head and we draw their attention to any case where we consider that the expenditure is excessive.

961. *Q.*—Is it open to the Railway Board to suggest to the companies that they should retrench expenditure on establishments?

A.—We can certainly suggest. We can even enforce it.

962. *Mr. Iyengar.*—*Mr. Jukes* said that you have got this saving out of the abolition of the staff of the Government Examiner and utilised it for providing a different set of staff. Did it come for sanction before the Standing Finance Committee?

Mr. Jukes A.—It is not a saving exactly. It is simply this that a staff which was previously employed in connection with the E. I. R. and G. I. P. is now used for the B. N. and B., B. & C. I. railways. If a new staff is employed on the E. I. R., it will have to come before the Standing Finance Committee. As far as I am concerned, the men are part of the Auditor General's establishment duly sanctioned and he can employ them on any work he likes.

963. *Chairman.*—May I ask whether this action is subject to the sanction of the Finance Department?

Mr. Jukes.—Not even to that. In this particular case the question of sanction does not arise. Ordinarily the Auditor General has got his staff and it is for him to decide whether there should be two officers in one office and one in the other or one in the one and two in the other.

964. *Chairman.*—Has not the Finance Department in the person of the Financial Commissioner of Railways raised the question whether special sanction is required for the use of this staff?

A.—I am not quite sure that he has. If he has, I think the answer is undoubtedly that the Auditor General has got his staff and he can employ it.

965. *Mr. Iyengar.*—I want to press this point a little further. If this is a new thing, you ought to have anticipated this in budget time. Why did you not put all this establishment in the budget knowing that this line was going to be taken over?

Mr. Jukes.—The greater part of these new developments have arisen since the budget was framed.

966. Q.—It was discovered subsequently ?

A.—*Mr. Jukes.*—It was an entirely new proposal. The audit and accounts staff of the East Indian railway will have to be sanctioned as a new proposal.

967. Q.—I agree so far as your proposals for the East Indian Railway are concerned but so far as the taking over the Government Examiner's staff on the East Indian railway and using them for the other purpose is concerned, that is a thing which you ought to have anticipated.

A.—Of course we did not know that these new developments on the East Indian railway would take place. We did not know what the accounting arrangements were going to be.

968. Q.—You did not work it out before ?

A.—*Mr. Jukes.*—We were not in a position to work them out.

969. *Chairman.*—We come to No. 27 : That in order to prevent losses of cash in transit, movement of large amounts of cash to and from headquarters be avoided by arranging to pay in receipts into a near branch of the Imperial Bank or by some other method ?

A.—We have got into touch with the Controller of Currency and he has agreed to assist railways in the matter and we have asked railways to get immediately into touch with the Deputy Controller of Currency who runs the particular circle and arrange for all these payments to be made into the nearest treasury so far as it will suit the Currency Department.

970. *Chairman.*—Could you as a matter of fact make any considerable changes of methods ?

A.—*Mr. Sim.*—I have not got the replies from the Agents.

Mr. Philipe.—This paying into the district treasuries is being extended on the North Western Railway and some of the other railways are taking it up. It is not always very convenient because occasionally the treasuries themselves are not in a position to examine all the money put in. In other cases the treasuries are so far distant from the railway that it means employment of special cash guards to take the money from the station to the treasury and there are various other difficulties of the kind. There are various other difficulties ; all the railways have now been told that they are to look into this question and extend the system of payments into treasuries as far as possible.

Mr. Sim.—The only railway that I know of personally is the North Western Railway and two years ago we arranged for payment into one treasury at Lahore. There are about 17 to 20 treasuries being dealt with in this way.

971. *Mr. Ahmed Ali Khan.*—When treasure is being carried by railway you leave it to the care of the guard only ?

A.—Yes ; it is put into a railway safe ; there is no armed guard ; generally speaking it is all right unless there is a dacoity or something of that sort.

972. *Mr. Iyengar.*—At Trichinopoly they were paying into the Imperial Bank there and there was some trouble and there were orders to discontinue the practice ?

A.—I think we have no trouble now. The Controller of Currency has issued orders and has tried to arrange as far as possible that the Imperial M120FinD

Bank and the local treasuries should take the money in wherever it is convenient.

973. *Chairman.*—The next point is the necessity, in view of the considerable financial importance of the matter, of exercising adequate checks over people travelling without tickets.

A.—The question has been under discussion with the Central Advisory Council. I think members will remember that in the course of the last budget debate it was mentioned that the figures showed that 2 $\frac{3}{4}$ million passengers had been discovered travelling without tickets in one year ; we put the question before the Advisory Council recommending that the law should be changed and that this should be made a cognisable offence : the trouble is that when we catch a man he mostly gives a false name and address and we suggested in cases of that sort, where the man was not able to pay, the police should take him into custody. The Council were not prepared to advocate any change in the law of this nature until further experience had been gained. We are now collecting further material—this practice is increasing at an appalling pace and we propose to bring it up again before the Advisory Council this year. But the steps that we have already taken to stop this has led to a tremendous outcry in the press and innumerable questions in the Assembly —there are about 20 questions on my table now about the locking up of carriage doors and about train examiners not asking for tickets under any circumstances from female passengers—altogether it is a very difficult matter ; I do not think we can do much without legislation.

974. *Mr. Iyengar.*—Do you not think that the system of employing travelling ticket examiners and flying squads has improved matters much ?

A.—There is some improvement, but they cost more than they get because the bulk of the people get away by giving a false name and address.

Q.—That will not solve the difficulty ?

A.—Not entirely.

Chairman.—We come now to the Audit Report : page 1.

976. *Mr. Cocke.*—I should like to know what was done in regard to the matter mentioned in paragraph 1 ; it is said there that one case has been finished and the other is still *subjudice*.

A.—A considerable number of the staff have been prosecuted and sentenced to various terms of imprisonment and a considerable number have been dismissed from railway employment, and the Railway Board are at present considering the action to be taken against the officers concerned.

Q.—There has been nothing done in that direction yet ?

A.—One officer was convicted and sent to jail and we have called for explanations from the others and we are just discussing them ; I understand the Accountant General is considering the question of the audit staff.

978. *Chairman.*—Has the committee of senior officers, mentioned here, been appointed ?

A.—They have been appointed and they have reported ; it is upon their report that we are now taking action.

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979. *Mr. Cocke*.—Have you been able to arrive at any general conclusions from these frauds which could enable you to circulate orders to lines generally?

A.—Yes; we propose to make certain changes in the procedure in order to tighten it up; the trouble in these cases arose owing to the fact that the people sending in the stores to the Stores Department and returning materials from the line either did not put down the amount and value of the materials or did not say that the amount and values they put down were admitted by the Stores Department; we have suggested some changes in the forms as well as in the procedure; there was no question that there was an enormous amount of carelessness and fraud going on all over the place.

980. *Q.*—Is there any surprise check conducted in the Stores Department?

A.—Yes; further the audit department checks and verifies the stores once a year; all these stores that were sold were not on the books; they were sent in by the various departments and they were collected and sold at intervals, and probably when the stock verifiers went round there were no stores in the yard at the time—they had been got rid of.

981. *Sardar V. N. Mavalik*.—How is it they were not on the books?

A.—What the men did was this: supposing 100 tons of material had been returned, the stores people only acknowledged 50 and brought it on the book as 50 tons and kept the other 50 tons for their own purposes; that is the thing in very simple language.

982. *Mr. Cocke*.—*Q.*—There was collusion really?

A.—Yes.

983. *Chairman*.—You say steps are being taken to reduce stores balances to reasonable limits: Have you anything further to say?

A.—We have got it down by $4\frac{1}{2}$ crores already and we are still pressing them on.

984. *Q.*—Have you got your estimate confirmed that as a rough estimate the saving which the taxpayer will derive from the improvements will be over Rs. 3 crores.

A.—Yes; it is certainly over Rs. 3 crores.

985. *Q.*—As regards the machines mentioned in paragraph 3, have you found these machines satisfactory?

A.—They are introducing them gradually in other railways; the Bombay Railways are taking them up and the Madras Railways are also thinking of doing so.

986. *Mr. Cocke*.—The last sentence gives expectations of more savings on all railways: have you got any figures yet?

A.—We have not got the figures yet.

987. *Chairman.*—It is stated at the end of paragraph 4 that a reduction of nearly a crore of rupees was effected on the G. I. P. railway alone : are there possibilities of a like reduction on other railways ?

A.—I do not think we can expect on the other lines anything so drastic as was done on the G. I. P. That railway was overstaffed to a greater extent than any other railway in India ; but we have taken drastic action on the E. B. S. R. and perhaps on the N. W. R. also. The railway that is giving us most trouble is the B. N. R. and that is the worst paying line we have got, apart from the Assam Bengal Railway ; they propose to take on Mr. Heseltine—who was responsible for the reduction of 80 lakhs on the G. I. P. Railway—in the cold weather and ask him to go into the whole question of their staff.

988. Q.—Still you do expect something ?

A.—Certainly—but nothing so big as on the G. I. P.—it was colossal there.

989. *Chairman.*—The Accountant General gives in paragraph 8 very interesting figures of the stores balances.

Mr. Sim.—I can add to that figure—the balance at the end of last year was about 17 crores.

990. Q.—Do you expect much further reduction ?

A.—Yes, we have got at present an officer on duty who is arranging for shifting stores from one railway to another.

991. *Sardar V. N. Mitalik.*—There was a proposal to fix minimum balance of stores for each railway : What steps have been taken in that respect ?

A.—We had a meeting two years ago with all the Controllers of stores of every railway.

992. Q.—Have you now fixed it practically ?

A.—We fixed it two years ago.

993. Q.—Are you now approaching those figures ?

A.—Yes ; we check them with the annual returns we get.

994. *Chairman.*—Can you tell us what the minimum figure is for all the railways ?

A.—I could give the figure, but not in value or money ; what we have done is to divide up the stores into two classes those which can be obtained in India and those which have to be obtained from abroad : in the former case the period varies from one month to three months according to the distance of the place from the place of manufacture ; as regards the latter case the average is about six months.

995. *Mr. Iyengar.*—What I want to know is the total value of the stores which you fix as the maximum balance and minimum balance for all the railways.

A.—We have got no maximum in cash figures because it must depend on current prices—it would vary greatly :

996. Q.—Still, could you give us a rough idea ?

A.—The amount we hold at present is 17 crores.

997. Q.—How much do you expect to work it down to ?

A.—We only budget for a decrease of about $1\frac{1}{2}$ crores more. That will bring it down to $15\frac{1}{2}$ crores. I do not think that is high in view of the old figures and the rise in prices. I am not quite certain that we would not go further down than that.

998. *Sardar V. N. Mutalik*.—How much of it is really due to the re-valuation of the stock ?

A.—About $1\frac{1}{4}$ crores in the last two years taken together.

999. Q.—The rest is actual consumption ?

A.—Yes.

1000. *Mr. Cocke*.—In paragraph 13 I notice a very alarming statement: “During the period of the war, i.e., between the years 1915 and 1919, considerable credits on account of revision of prices of stores were carried to the Railway Revenue working expenses account.” That seems to be most irregular.

Mr. Philipe.—As a matter of fact, that was a case with which I had to deal pretty largely ; it happened on the North Western Railway—When the prices went up, the prices of the stores in our books were also written up to the current market value and that meant a larger debit to stores by credit to a head which we called stock adjustment account and the orders at that time were that all credits or debits to the stock adjustment account were at the end of the year to be passed into the revenue accounts. I personally, at the time when the prices were going up at such an awful rate, suggested that the amount that we entered in the stock adjustment account should be kept apart to meet the downward tendency which was bound to come, but I was over-ruled. This was about 8 or 9 years ago. It is rather ancient history.

Mr. Sim.—The whole of that question of revaluation of stores we are taking up in a month with the Finance Committee. When our stores come down to a proper minimum, there should be neither writing up nor writing down except when we actually write off the loss on surplus stores.

1001. *Mr. Cocke*. Q.—Writing down occurs in some cases only when you have got to transfer it to somebody else ?

A.—Yes.

1002. Q.—When you have got stock which is no longer of any use, then you have got to write it off ?

A.—These questions we are taking up now.

1003. *Chairman*.—Supposing you have stores of one railway which you want to transfer to another railway. Then you write down. Do you write up the amount of actual sale to the other at a profit ?

A.—We sell at the market price.

1004. Q.—So that, within the Railway Budget as a whole, there is neither profit nor loss ?

A.—Quite. There is no real profit or loss in the Railway Budget as a whole.

1005. *Mr. Iyengar*.—Do you take the profit to revenue ?

A.—There is a loss in the other Railway.

1006. Q.—If you have got stores worth 1 lakh, and if you transfer it to another line for capital purposes and charge them 2 lakhs at the current market price it is a lakh profit.

A.—We have got no trouble so far as State-managed railways are concerned. It is only in regard to company-managed lines. Where we sell stores to a company-managed line we do so at the market price.

1007. Q.—Would it not have this effect, then, that in respect of a company-managed line, if you sell stores to them at a lower price, you have got to write down a share of the profits thereby earned ?

A.—They get it at the market price. They take over from the State-managed line instead of buying it in the open market.

1008. Q.—Who bears the loss on the writing down of the stores ?

A.—The State-managed line. The same thing happens when a company-managed line sells to a State-managed line, but on the company-managed line, as a general rule, they won't write up or down. They simply average the prices.

1009. *Sardar V. N. Mutalik*.—When was the re-valuation of the whole stock completed ?

A.—There was no re-valuation of the whole stock at all. What we did was this. In order to get rid of these heavy stocks, we simply suggested that we should write some bulky stocks which we could get rid of down to the market rate in order to get rid of them. Where they could use them up, they did not write them down.

1010. *Syed Murtaza Sahib Bahudur*.—Page 6. Is there any special reason as to why the South Indian Railway should top the list of the principal railways on which expenditure was placed under objection in 1923-24 ?

A.—You mean the Trichinopoly shops ? That work was actually started without any estimates at all. When I first came across it, about three years ago, I think, they had spent 40 or 50 lakhs. I stopped the work altogether until they produced the estimates. The work was hung up for two or three months. That was a case of gross irregularity at that time. Some time before, owing to the Assembly having suddenly given Railways 30 crores a year and told them to use it as fast as they could, there was no doubt whatever that they did begin a very large number of works without any sanction of any kind. That has been stopped now entirely ?

1011. *Mr. Iyengar*.—This involved a net loss of 30 lakhs ?

A.—That was in connection with the other arrangement. It was owing to the work having started without full investigation. The amount of loss was not 30 lakhs.

1012. *Mr. Iyengar.*—Paragraph 23. The Accountant General says: “It is possible, however, though without enquiry I would not say probable, that Chief Auditors of railways have not fully appreciated their obligations to report cases of this nature for the information of the Public Accounts Committee and I propose to address them specially and emphasise their duties and responsibilities in this matter.”

Mr. Philipe.—I have already instructed all the State Railway Chief Auditors that they have got to be very careful and report all these cases. I have not the same powers as regards company Chief Auditors and therefore, we have got to address the Government Examiners bringing these to their notice.

1013. Q.—Have you addressed the Companies’ Chief Auditors also ?

Mr. Phillip. A.—We have not addressed them. We have addressed Government Examiners and communicated to the Chief Auditors of the Company Railways through them.

1014. Q.—You have not heard from them what has happened whether the Company Chief Auditors are willing to report such cases ?

A.—As far as Company Railways are concerned, we have not heard anything definite, but it is the Government Examiners we look to.

1015. Q.—Have they reported to you that the Chief Auditors have promised to look into this ?

A.—There are instructions from the Boards of the Company-worked Railways to their Chief Auditors that they are not to report in Appropriation reports or Audit reports to Government anything which reflects on the work of their own officers.

1016. Q.—That is what I want to know.

A.—I do not get it from the Companies’ Chief Auditors themselves. What I do get about companies is from the Government Examiners and from the Inspectors’ reports.

1017. Q.—I want to pursue this matter. If that is so, should not the Railway Board take further steps and see what can be done ?

Mr. Sim.—If you look at the general memorandum you will find that this was all threshed out in the previous papers.

1018. Q.—The Accountant General has just now told us that the Chief Auditors have got definite instructions from the Home Board not to report cases of irregularity in which their officers are concerned.

A.—Not to report them to Government. They have got to report them to their Directors.

1019. Q.—Is it not a matter in which the Government are interested ? We stand to lose because we have a share of the business which they transact as our agents.

A.—Therefore, we have got to rely on the Government Examiners. The attitude of the Boards of Directors was this, that they are responsible as

regards these irregularities for enforcing discipline and that it is not the duty of their Chief Auditor to report to any outside authority other than the Board of Directors.

1020. Q.—The question of discipline is in their hands, but should we not know what has happened in each case? That is where our interests are involved.

A.—The Government Examiner can report. He gets the list of objections raised by the Chief Auditors. He knows exactly what the Chief Auditor has been saying, and he reports these cases to the Accountant General.

1021. Q.—Still, the Accountant General has assured us that the Chief Auditors have definite instructions not to report such cases to Government?

A.—The Chief Auditor does not report; the Government Examiner does.

1022. Q.—It is only in the 10 per cent. of cases which the Government Examiner reports?

A.—Not 10 per cent. He gets hold of the list of all the objections that have been raised by the Chief Auditor and he sees also the action taken by the Chief Auditor and he can report all these to the Accountant General.

1023. Q.—Do you mean to say that the Government Examiner can, in respect of companies, bring to our notice every case of serious irregularity which he thinks ought to be brought to our notice?

A.—Certainly. It is his duty to do so. In all cases of loss it must be reported.

1024. *Chairman*.—I do not think the Auditor General desires to dispute the main proposition that the Chief Auditor cannot be forced to report to anybody outside Board of Directors?

A.—He is a servant of the Board of Directors.

1025. *Mr. Iyengar*.—Is it because of the contract or is it because of the nature of the business transacted?

Chairman.—It is because of the contract and of the principle underlying the contract that you leave most of the responsibility to the company, which after all, in gross, has the same interest as ourselves.

1026. *Mr. Iyengar*.—I do not mean to say that we should interfere in every case. All that I say is that where there is loss of property, it ought to come before our notice.

A.—They have got to report to us in any case.

1027. *Mr. Iyengar*.—The point I want to get at is this. It is quite true that where there is a case specifically reported by the Chief Auditor of fraud or irregularity which involves loss the Government Examiner had the opportunity to look into it, and if necessary to bring it before us. But there may be cases in which, as the Chief Auditor is after all the subordinate of the Agent, the chief executive authority, many cases of irregularity are regularised and the loss not brought to our notice at all.

Mr. Philipe.—All cases of fraud or loss where there is any question of write off have to come up to the Railway Board. They all come to our notice. Where there is a question of irregularity in procedure, where possibly no question of loss is involved, the Chief Auditor does not necessarily bring it to the notice of the Government Examiner. The Government Examiner may see it in the course of test audit and he brings it to notice. If the Government Examiner does not see it and the Chief Auditor does not report it, we do not hear of it.

Chairman.—It is a case of irregularity and not one involving loss.

1028. *Kumar Ganganand Sinha.*—Do you get satisfactory response from the Agents of the State managed railways in this matter?

Mr. Philipe.—There I can insist on my Chief Auditors bringing them to notice. If they do not and I discover them there is trouble.

1029. *Chairman.*—We come to item 24, loss to Government in connection with the Sor colliery. The conclusion given is "It is difficult, however, to resist the conclusion that the amount of eventual loss in the present case was not wholly unavoidable and it is because of this view that the case is included in my Audit Report for the information of the Public Accounts Committee."

A.—As explained in this paragraph this was due rather to the hasty action taken owing to the war in order to secure that the N. W. Railway could obtain its coal and to relieve the congestion on other railways. It is not a thing that would naturally be done in peace time and we would not have started it probably. But it was action taken during the war and the thing could not have been so carefully examined as otherwise it might have been done.

1030. *Mr. Iyengar.*—Is this the same case that we dealt with yesterday? There was another case of a colliery which had to be closed down.

A.—That was in connection with Khost colliery and the loss involved in working it.

1031. *Mr. Ahmad Ali Khan.*—To what extent were you able to relieve Bengal coalfields? This was working only for a couple of years?

A.—Yes, during the war when there was great pressure on the railways. It was started in a hurry without proper examination.

1032. *Q.*—It is said, "The Colliery was expected only to yield dust coal." Then it is said, further experiments were carried out.

Mr. Philipe.—It was intended to use it up in the form of powdered coal.

1033. *Q.*—Did you use it?

A.—It was made into briquettes.

1034. *Dr. Lohokare.*—This was started without proper examination?

A.—Not with the same amount of examination as usual.

1035. *Q.*—What action have you taken against those who are responsible for this?

A.—When the thing was done it was not done with so much care as it would have been done in peace time. The officer who was responsible was M120FinD

I think retired in consequence of his reports in connection with this and other collieries.

1036. *Mr. Ahmad Ali Khan.*—This amount of Rs. 3 lakhs is the value of coal you extracted from the colliery?

A.—That is the material used in connection with the colliery. We subsequently sold that.

1037. *Chairman.*—The revenue loss is item 4, that is, Rs. 1½ lakhs. Let us go on to paragraph 125. Loss on account of locomotive boilers.

A.—We are getting rid of those.

1038. *Mr. Iyengar.*—Is this connected with the Peninsula locomotives?

A.—This is one of those big orders that was sent home during the war. Some of the boilers became surplus and they have now been got rid of by sending them on to the other railways. The other railways are being made to take these over instead of purchasing new ones.

1039. *Q.*—There is no loss on the transaction?

A.—There is certainly loss in the sense that when you get these boilers and they are surplus there is a charge on capital for 2 or 3 years and you have to pay interest on it.

1040. *Q.*—About the price I am asking. You say “The book value of the boilers was written down by 8 lakhs.” But what is the value for which you sold them?

A.—By the time we got rid of those boilers the prices had fallen.

1041. *Q.*—Can you tell us what is the total actual loss involved?

A.—It was Rs. 8 lakhs for writing down. There was no more loss than Rs. 8 lakhs as regards writing down but what the exact amount of additional interest that was paid I do not know.

Chairman.—The additional interest was incurred owing to having the stock not being used.

1042. *Mr. Iyengar.*—Has there been any variation in price?

A.—Rs. 8 lakhs.

1043. *Mr. Ahmad Ali Khan.*—Is there any probability of getting rid of the whole stock?

A.—The other railways have been made to take them over.

1044. *Q.*—The whole lot?

A.—Certainly. They have been ordered to take them from the N. W. Ry. instead of indenting abroad for new ones.

1045. *Dr. Lohokare.*—Who was responsible for these “certain assumptions?”

A.—I suppose it was the Loco Superintendent in charge of the shops.

1046. *Q.*—How was he dealt with?

A.—He retired some time ago.

1047. *Mr. Iyengar*.—It is the same case everywhere.

A.—It was in 1918 that the order was placed. It is a very old case. The man had retired before we discovered it.

1048. *Chairman*.—We come to paragraph 26.

A.—That is a very old case. Even the Agent who was responsible in that case has now disappeared. The whole trouble is this. It was brought to notice far too late in the day and as soon as we discovered it we ordered the Railway to eject those tenants. It was a technical institute if I remember rightly that they wanted to purchase and they sat tight there for over 4 or 5 years after the building was sold by them.

1049. *Q*.—Is that sort of irregularity likely to occur ?

A.—This thing was done in a great hurry. The original sanction for expenditure was asked for and obtained by telegram about the end of March.

1050. *Mr. Iyengar*.—That was for a Railway Institute ?

A.—It has been turned into a hospital.

1051. *Q*.—Originally it was intended for a Railway Institute ?

A.—Yes.

1052. *Q*.—And they asked for sanction by telegram for that Institute ?

A.—That does not occur now.

1053. *Sardar V. N. Mutalik*.—Even then there was an understanding that till the bu lding was vacated the Institute would remain (here) ?

A.—I do not quite know the facts.

1054. *Chairman*.—Why did it take so long for being brought to light ?

A.—It took some years. It only came to notice on an inspection report.

1055. *Mr. Iyengar*.—Can you tell us whether any of the people who were connected with this transaction are still in service and whether any action has been taken ?

A.—They have all gone long ago. The Agent and the Chief Auditor and the whole lot have gone.

1056. *Chairman*.—I am afraid no further action can be taken in the matter.

Paragraph 27 ?

1057. *A*.—This refers to that case we mentioned a short time ago. The Deputy Chief Engineer who was responsible for this has been ordered to retire.

1058. *Syed Murtaza Sahib*.—Do you think that the departmental execu-tion of the work would prove financially beneficial ?

A.—Certainly. That was an extraordinarily bad contract. There was no regular provision of what the rates were to be.

1059. *Chairman*.—Was any action taken against the officer who was responsible ?

A.—He has been ordered to retire—the Deputy Chief Engineer of the Railway.

1060. *Mr. Iyengar.*—I want to know this, whether you have examined the question as to whether the Government can be saddled with this loss and whether you cannot throw the whole responsibility for this loss on the company exclusively ?

A.—It must fall on the undertaking as a loss. They bear their share of the loss.

1061. *Q.*—So we have got to bear our share of this loss ?

A.—Yes.

1062. *Q.*—Notwithstanding the fact that—

A.—I have considered this question. We ourselves are to a certain extent responsible in allowing the work to be started without any sanction at all.

1063. Have you examined why it was done and whether that was proper ?

A.—It was sanctioned by the Railway Board at the time. They were allowed to start work.

Chairman.—That is a case which will not occur now under the Financial Commissioner for Railways.

Mr. Iyengar.—That is an implied condemnation.

1064. *Sardar V. N. Matalik.*—May I know if steps are taken now that an estimate is sanctioned in detail before the work is undertaken in hand ?

A.—Not in detail. It was these details which led to all this trouble. They used to ask for an enormous amount of details down to the last nail and there was no use made of them when you did get them. Now we have abstract estimates which give figures under each particular head and we give sanction and no work is begun without the sanction of those estimates of total figures. Before the engineer begins work on any portion of those estimates he must get out the details of the particular portion of the work in order to have a check, and the orders are that he ought not to begin work until he has got those details.

1065. *Chairman.*—Could you give us a short story of a work from its inception to the time of its completion ?

A.—The Agent is required now to give us what is called an abstract estimate showing what the total cost is on each individual portion of the work for the buildings, for the machinery and so on. It is all worked out under different heads. He is given power to start work on that provided he does not exceed the total figure. If there are any particular portions of the abstract regarding which the Railway Board have doubts as to whether it is a right and proper figure they call on him for further details but they get a sufficient amount of detail put before them, to enable them to decide whether a particular amount of money is required for a particular piece of work. Before the Chief Engineer can start constructing or order any machinery he has to get out all the details which are involved in each part of the work. If he finds in working out the details that the cost will exceed what is put down in the abstract he is required to get sanction from the Railway Board for the higher figure. A certain amount of latitude is given. I think it is up to 10 per cent. In this particular case there was no permission to start work.

1066. Mr. *Iyengar*.—They had no idea of the gross cost ?

A.—They had a vague idea.

1067. *Q.*—That is the idea the company gave you ?

A.—The company took up this case very seriously itself. When I first saw the case they were sending cables to the Agent that if he did not send further details within a week or two they would cable him to stop work.

1068. *Q.*—You did stop it ?

A.—We did stop it. The company have now turned out the Deputy Chief Engineer who was responsible for the work.

1069. *Sardar V. N. Mutalik*.—How does the Railway Board ascertain the proper figure ? Do you rely on the Chief Engineer ?

A.—We have got our own Chief Engineer. Our technical staff at headquarters advise us.

1070. *Q.*—They examine all the details I suppose.

A.—Not the details. Whatever amount of details are required they ask for.

1071. *Q.*—He looks into the details ?

A.—It depends all on what you mean by details. We get sufficient details to enable our technical men to examine it and see whether the charges are reasonable.

1072. *Q.*—Is there any stage where you can ascertain that the amount for the sanctioned work will not be exceeded.

A.—Railways have got to report to us regularly. Further if they exceed the amount of the estimate they are held up by the Audit Department and the matter is reported.

1073. *Q.*—Supposing the work has advanced to a certain stage, you have to complete the work, I suppose. You don't leave the work incomplete ?

A.—It is the business of the Agent to anticipate any excess. There is no reason why they should not. If the prices are altered before they place the contract, it is their business to revise the estimate before placing the contract.

1074. *Q.*—If there is any variation between the originals and the actuals, what steps do the Railway Board take ?

A.—We had a very large number of these cases at the beginning and we asked the companies to take disciplinary action. In one particular case we told them that the estimates coming in from that line exceeded the actuals by such enormous figures that we felt unable to put any reliance on the estimates of their engineering staff in the future.

1075. *Q.*—You had some cases of this sort ?

A.—You are bound to have some cases of excess expenditure. It depends entirely on the amount.

1076. *Q.*—Was there considerable excess over the estimates ?

A.—We had very substantial excesses. They are not common now.

1077. *Q.*—The Railway Board is exercising proper control ?

A.—They take up every substantial excess.

1078. *Chairman.*—Since the Financial Commissioner went there matters have greatly improved.

A.—I may mention that when there is likely to be a substantial excess over a sanctioned estimate, the revised estimate is put up before the Finance Committee.

1079. *Chairman.*—If an estimate costs a crore and the actuals come to 2 crores, it is pretty certain you might not have undertaken the work. Such a thing is impossible with the check now exercised ?

A.—In addition to the check that we exercise we get six monthly progress reports on the more important of these works. We can always keep an eye on them.

1080. *Sardar Mutalik.* *Q.*—I suppose the system will improve further ?

A.—Things have improved enormously lately. The estimates now approximate more to actuals.

1081. *Chairman.*—Para. 28 ?

A.—I think the contract in this case was very badly drawn up. The contractor gave a considerable amount of trouble and they could not get out of the contract except by going into arbitration. The contract was very badly drawn up. They have now settled the case by paying Rs. 70,000.

1082. *Chairman.*—The question of disciplinary action to be taken is still under consideration ?

A.—The Railway Board considered that it was not a case for disciplinary action.

1083 *Mr. Webb.*—Was it a standard form for contract ?

A.—Yes. They have now stopped using that form.

1084. *Q.*—You have also dispensed with the contracts. ?

A.—Yes

1085 *Mr. Cocke.*—Was the contract at fault or the contractor ?

A.—The form of the contract was badly drawn up.

1086. *Mr. Iyengar.*—Para. 30. Could you explain this item about the castor seed plantation ?

Mr. Philipe.—I can explain this case. It was really one of the war cases. During the war there was considerable difficulty on the N. W. R. in getting castor oil for lubrication purposes. The Administration then thought it would be a very good plan to plant these castor plants along the railway embankment. They grew their own seeds and they started crushing. For many reasons it proved a complete failure. It was partly due to bad seasons, partly to want of proper precautions. The thing failed completely after a few years and they had to stop the plantation and scrap the machinery. The thing really ~~was~~ some time ago.

1087. Q.—What is the loss incurred ?

A.—I have only got a rough figure. It is in the neighbourhood of three lakhs.

1088. Mr. Iyengar.—I should like to know whether this was entered into *bora fide* or simply as an experiment ?

A.—It was a *bona fide* attempt to get over what was a very serious difficulty at the time.

1089. Q.—Did you get any value for the expenditure ?

A.—Very little. The very first castor plantations failed.

1090. Mr. Ahmad Ali Khan.—Did you get any expert advice ?

A.—That is a matter on which I cannot give any information.

1091. Chairman.—Was the loss charged against revenue or charged against future revenue ?

A.—It has nearly all been charged off already.

1092. Mr. Iyengar.—Against revenue ?

Mr. Sim.—I do not know much about this case in the North Western Railway. This happened when Mr. Philipe was their Chief Auditor. I understand the position is that any loss incurred has already been written off against revenue.

Mr. Philipe.—The estimate was duly sanctioned by the Railway Board.

1093. Chairman.—Before we go into the remainder of these I should like to take up paragraph 11 of the Auditor General's report. Have you any statement to make on this ?

A.—It raises the general question of paying cash into the nearest treasury. I think in most of these cases certainly disciplinary action has been taken to the fullest extent possible. Men have been dismissed and any money that could be recovered has been recovered from them.

1094. Mr. Iyengar.—Have you been able to discern any general laxity on the part of the administrations ?

A.—I do not think there was any laxity. In most of these cases the men have been prosecuted and where there has been material for prosecution, the men have been dismissed and any money that they could lay their hands on has been recovered.

1095. Mr. Iyengar.—Have you any reason to think that owing to laxity of the administration of which we have had an example just now during war time there was a certain amount of demoralisation, if I may use that strong word, which has now to be rectified. Do you think it is attributable to a relaxation of control ?

A.—I do not think these particular cases are. These are all cases of thefts of cash by railway employees.

Mr. Philipe.—It is a very small figure when you take the enormous amount of cash that moves up and down the railway. We have been able to recover almost all these sums from the provident money of the men concerned.

1096. Q.—Do you share the hope that as a result of the improvements in procedure under consideration, these frauds will not occur?

A.—I think so. Certainly we look for an improvement.

1097. Chairman.—Is there any foundation for that hope?

A.—Mr. Sim.—We have been insisting on very drastic action.

1098. Sardar V. N. Mutalik.—Q.—Is there any scope for further improvement?

A.—In every case of dishonesty effort is made to prosecute if possible.

1099. Chairman.—I gather you have been more severe recently than before?

A.—Yes.

1100. Sardar V. N. Mutalik.—Apart from disciplinary action is there any scope for improvement?

A.—In each case of loss of money the question is considered by the Accountant General and the Railway Board to see if any improvement in procedure is required or indicated.

1101. Chairman.—Q.—On paragraph 33 the Auditor General says "The fact that the expenditure was incurred without any estimate or allotment of funds, raises the presumption that the wrong classification was deliberately adopted to avoid audit objection." What have you to say on that?

A.—I explained in connection with some cases yesterday that this custom of charging to capital instead of to revenue was a fairly frequent one, to avoid the inconvenience of having to adhere to the budget provision, but we have stopped all that now.

1102. Q.—Was that confined to company railways?

A.—No; this is a State-managed railway.

1103. Mr. Iyengar. I want to know whether you think the punishment inflicted or the action taken is sufficient. The Audit Report says that the Railway Board have asked the Agent to warn the Engineer concerned against the commission of a similar irregularity in future. Is that all that is required?

A.—I do not think the officer in charge is responsible for starting the work without any allotment of funds; he is only responsible for charging it off to capital instead of revenue.

1104. Q.—Who was responsible?

A.—The Accountant.

Mr. Philipe.—There I differ. The work was begun and gradually increased without an estimate or anything being put in; it was charged off to suspense as representing work done which should finally be charged off to bridge renewals, and it was only when the audit officers made the inspection there that they found these things done and the amount charged by the bridge engineer as ordinary suspense work instead of charging it to the construction of a workshop.

1105. Q.—As I understand, that was the general practice with accountants both on State railways and on other railways?

A.—On all railways they sometimes charged off to capital when they should have charged to revenue, when it is any question of funds. It has been stopped to a very large extent on State railways and we take very severe action when it does happen. But this was not a question of funds so much, because the amount after all was only Rs. 90,000 spread over a number of years—I fancy the bridge engineer was overworked and did not think it necessary to put in an estimate. As far as we can, we report every case that comes up. The company railways have been informed that there will be no difficulty regarding coming up for funds for work, and that it is no longer necessary to go in for this dodge.

Mr. Jukes.—May I put a supplementary question? Mr. Philipe, this particular case was obviously detected on inspection?

A.—Yes.

Mr. Jukes.—Supposing a similar thing happened on a company's railway and the audit officer detected it on inspection, would it necessarily have come to the notice of the Government in this way?

A.—Not unless he reported it.

Mr. Hayman :—The inspecting officer would make a report even on a company's railway if he found this sort of thing going on; and these reports are available to the Government Examiner to see, and if he is not satisfied that necessary action has been taken by the companies, he would report it to the Accountant General, Railways; in effect we have the same control over the company lines too.

1106. *Mr. Iyengar.*—I think Mr. Philipe said that so far as State railways were concerned they could check this thing, but on company lines it was difficult; I want to know how it is more difficult.

Mr. Philipe.—In connection with the explanation Mr. Hayman gave just now, if the Chief Auditor on a company's line put it into his report it would come to the notice of the Government Examiner; but if he did not put it in his report, the Government examiner would not necessarily know anything about it. What we are trying to do in connection with this particular matter on the Bengal Nagpur Railway and the Bombay, Baroda and Central India is to get at the root of the trouble and get the Government examiners to look at the initial records to a greater degree; that is the main point of the whole thing; we cannot at present do that, it is the initial record which shows details not the bills which come into the audit office. We have not got the staff at present for that.

1107. *Chairman.*—Regarding paragraph 34, has this matter been settled?

A.—*Mr. Sim.*—No; the legal proceedings have not yet been finished. As regards paragraph 35, the person responsible for this irregularity is the same gentleman who was responsible for the previous one and has been ordered by the company to retire.

1108. *Mr. Iyengar.*—Do you not think in this matter that the Chief Engineer and the Chief Auditor should share the blame?

A.—The Chief Auditor reported the matter; the executive engineer has been reprimanded, but the person responsible was the Deputy Chief Engineer,

the same individual who was responsible for the other case, and the company took all this into consideration when ordering him to retire the other day.

1109. *Kumar Ganganand Sinha*.—What have you done to remove the defect of control evident in this case?

A.—We took up this case with the Agents and we discovered the fact that there was no difficulty in discovering the facts. We have asked the Agents to report to us towards the end of the year every month any substantial variations they anticipate ; if they go and exceed the budget the thing becomes obvious at the end of the year.

As regards 36, I understand the Officiating Chief Auditor was retired sometime ago. He was only officiating for a short time in place of the permanent chief auditor.

1110. *Chairman*.—As regards 37 and 39, the Auditor General says that such misrepresentation of facts should be viewed very seriously : you agree with that statement?

A.—Yes, undoubtedly.

1111. Q.—And you have viewed them seriously?

A.—Yes.

As regards paragraph 40, this question of piece-work was discussed the other day ; in this case the foreman certainly did not enforce the rule rigidly, and he went on paying them for some considerable time their full wages even though they did not do the full amount of work ; they did not wish to enforce it, otherwise the piece-work would have gone to pieces at once.

1112. *Mr. Iyengar*.—The first class of irregularity is “Payments in some cases before commencement or, in others, before completion of work.”

A.—The clerk responsible for paying them before doing any work at all was dismissed ; I do not think we could have done more.

1113. *Kumar Ganganand Sinha*.—How is the forfeiture of the Provident Fund credited?

A.—It goes to meet the loss.

1114. Q.—and the figure which you have got is after deducting that loss?

A.—Yes.

1115. *Mr. H. G. Cocke*.—With regard to items 45 and 47 I should like to refer to paragraph 28 of the Auditor General’s letter.

Mr. Jukes.—They deal with receipts and not with expenditure.

Mr. Cocke.—Surely that is a very narrow view.

Mr. Jukes.—It is a simple point—under the Statute as it now stands, the Assembly and therefore the Public Accounts Committee has nothing whatever to do with the estimates of revenue or anything concerned with revenue ; all that they are concerned with is the expenditure. Of course it is perfectly open to the Honourable Finance Member to refer to this Committee any question in regard to receipts or revenue, if he likes to do so, but no question of receipts or revenue need necessarily be referred to this Committee.

You find no provision anywhere giving the Assembly any authority over the collection of revenue.

1116. *Mr. Iyengar.*—Rule 51 says: “As soon as may be after the commencement of each financial year, a Committee on Public Accounts shall be constituted for the purpose of dealing with the audit and appropriation accounts of the Governor General in Council and such other matters as the Finance Department may refer to the Committee.” Therefore, I take it that statutorily we are entitled to deal with the whole of the report which you place before us.

Mr. Jukes.—There again, the audit and appropriation reports deal with expenditure and expenditure only. The constitutional audit report is a report on expenditure.

1117. *Mr. Iyengar.*—May I explain my point? I take it that you have got to put down these paragraphs about revenue because they are inextricably connected with the question of expenditure. I think the question of the amount of revenue you derive will depend on what amount you spend.

Mr. Jukes.—Take the audit report of the Accountant General, Central Revenues. That report contains, as at present submitted, a great deal of matter which is not in any way connected with the functions of the Assembly. It includes, for instance, a sort of general review of the audit work done by the Audit Officer during the course of the year. That is not for the Committee.

1118. *Mr. Iyengar.*—We are talking of the Central Revenues expenditure. Let us take the Railway Budget. The Assembly would not be in a position to vote the expenditure on Railways but for the fact that a corresponding amount of revenue is derived by the Government.

Mr. Jukes.—That is perfectly true.

1119. *Mr. Iyengar.*—Therefore, in voting the expenditure on Railways, the Assembly could not deal with the question of expenditure without knowing what the available revenue is.

Mr. Jukes.—In that respect the Assembly acts on the certificate of the Finance Member that the money is available.

1120. *Mr. Iyengar.*—Do you mean to say that the control of the Assembly over Railway expenditure is solely confined to the question as to whether a particular expenditure should be incurred on a particular service or not, and not to the question whether a particular expenditure would give a larger return or a smaller return?

A.—That is quite a different matter. In judging of the merits of expenditure, undoubtedly you will take into account the return that you will receive. It is not for the Assembly either to estimate the return or to reduce the estimate of the return received. That is left entirely with the Finance Department.

Mr. Iyengar.—We are always guided by the expert advice of the Government.

Chairman.—It is open to the Assembly, as it did in the particular case of the cotton excise duty this year, to challenge the estimate of the Government

and to give reasons for thinking that it is either an over-estimate or an under-estimate, as Mr. Patel did.

1121. *Mr. Iyengar*.—The only thing that I want to ask about is whether we are not under the terms of rule 51 entitled to go into all the matters that are dealt with in the Audit and Appropriation accounts.

Mr. Jukes.—May I answer by another example? Take the Home Auditor's report. 9-10ths of the items included in the Home Auditor's report deal with military expenditure which is non-voted. You are not entitled to go into that. That is included in the Audit report.

Mr. Iyengar.—I shall come to that when we come to the Home accounts. My point is not what powers we possess. My point is that under rule 51 we are constituted for the purpose of dealing with the audit and appropriation accounts, whatever they are, whether may they be home accounts, or railway accounts, or central revenue accounts. These accounts comprehend revenue as well as expenditure. I therefore say that under the rule we are entitled to deal with all. The value that is to be attached to our opinion is quite a different matter. (To the Chairman) I want you to tell me what audit and appropriation accounts really mean. It cannot be audit and appropriation accounts only in respect of expenditure. Why do you limit it to that?

1122. *Chairman*.—This is a question which will have to be taken up separately. It is an important point. We had better now go back to Railways as we have got a witness on Railways, and take this question up as a separate matter later on. Paragraph 47.

Mr. Philips.—I propose to deal with this in the report which is now being written, since I have fuller particulars as regards audit responsibility in the matter, and I will deal with it there.

1123. *Sardar V. N. Mutalik*.—Paragraph 48. What check do you exercise on goods trains? Suppose there is a case of a wagon being loaded and returned as empty. What check have you over that?

Mr. Sim.—The case mentioned in this paragraph is a case of undercharge for the goods consigned by a particular wagon.

1124. *Sardar V. N. Mutalik*.—Suppose a station master loads a wagon and enters it as empty in the accounts.

A.—The amounts charged are all checked. As the vouchers come in, they are all checked.

1125. *Q.*—It will not be taken to the Audit Office because there is no entry in the records.

A.—You mean where a man sends goods and either under-weights them or does not enter them at all or sends them away without charging anything?

1126. *Sardar V. N. Mutalik*.—A goods wagon is attached to a goods train and entered as empty whereas, as a matter of fact, it is loaded and taken to another station, and unloaded there. What check have you over such a thing?

Mr. Hayman.—At the starting station we have a staff who record particulars of all goods loaded into wagons. That is available for inspection by the Travelling Inspector of Accounts. The guard again keeps a record of all the wagons attached to his train—whether loaded or empty. Again, at the receiv-

ing stations, they keep a record of the unloaded wagons and there they will find whether a wagon was loaded or empty.

1127. Q.—What check is there between the receiving station and the starting station?

A.—They have got to keep these records.

1128. Q.—If they do not?

A.—Then it is a fraud and will have to be detected before any action is taken.

1129. Q.—What check have you got over that?

A.—We have an Inspecting staff moving about the lines.

1130. Q.—Over goods trains?

A.—There are Traffic Inspectors and Trade Inspectors of Accounts.

Mr. Sim.—That could only happen with collusion. In these fraud cases on the O. & R. Railway we ascertained that the whole of the staff were in collusion. Goods were despatched from one station to another and the receiving people were in collusion with the sending people. That can only be stopped by test inspections.

1131. Q.—Are there any test inspections?

A.—There are Inspectors who check the goods *en route*.

1132. *Chairman.*—Are you satisfied that the Travelling Inspectors are sufficiently numerous and active to prevent these frauds frequently occurring?

Mr. Sim.—Yes, Sir.

Mr. Hayman.—This class of fraud does not occur frequently.

Mr. Sim.—The Staff have got to be in collusion.

Mr. Sheridan.—Whenever such a thing does happen, some fellow naturally gives it away very soon.

1133. *Chairman.*—Paragraph 51. It is said that a sum of Rs. 367-1-0 at the credit of a clerk in the Provident Fund was set off against the amount misappropriated. Is that a regular practice?

A.—Yes.

1134. Q.—And it is an essential practice?

A.—Absolutely. It is the one safeguard we have got. This is a question we are going to discuss in connection with the Provident Funds Bill. If we lose that power of deduction, we will have no hold over the staff whatsoever.

1135. *Mr. Iyengar.*—You have to recollect that the Provident Fund is intended as a provision for his family.

A.—But then, if a man misappropriates your money, surely, you must deduct it. The money that we deduct from the Provident Fund is the contribution made to that Provident Fund by the State. It is not the man's own contribution necessarily.

Surely, we should not hand over to a man our payments into the Fund if he has embezzled a considerable amount of our money. Why should we ?

1136. *Mr. Iyengar.*—The point is, you make provision by this Provident Fund that his family may not be in distress, and therefore when you have made that provision, his family has a reasonable expectation that the money will be paid, and now you want to turn it into a guarantee fund.

Chairman.—The family has also a reasonable expectation that he will not commit fraud.

A.—Take the case of a man in other departments of Government, who gets a pension. Government does not give him a pension if he is convicted of theft.

Mr. Iyengar.—I am not prepared to say anything on that. I am not sure about it.

1137. *Kumar Ganganand Sinha.*—Paragraph 53. What steps have been taken to prevent such frauds ?

A.—The men have been sent to jail, and there is their provident fund account. There is no other action we can take.

1138. *Mr. Ahmed Ali Khan.*—You see there it is stated that the accused was proved to be a habitual drunkard.

A.—That is the opinion of the Court. I am afraid I do not know this gentleman at all. This is merely a quotation from the judgment.

1139. Q.—It was discovered only when the matter went before the Court ?

A.—It is the opinion of the Court. I do not know whether the Court was correct in giving that opinion.

1140. *Kumar Ganganand Sinha.*—Paragraph 54. Was it also discovered how much money in all has the station master misappropriated from time to time ? This mentions only a small amount. He was in the habit of tampering with the station records and he must have misappropriated a large amount ?

Mr. Philipe.—The total amount is stated to be Rs. 120-7-0. It may have been more but it is very difficult to get the exact amount. It will mean going over the records for years past.

1141. Q.—Does not that show that the inspection staff was not doing its work properly ?

Mr. Philipe.—It was the inspection staff who discovered it. It is the inspection staff that discover 90 per cent of the frauds at the stations.

1142. Q.—Did not the inspection staff discover this before ?

Mr. Philipe.—These inspections at stations take place at intervals of 3 or 4 months and probably the man took advantage of one inspection being over to start his game. That is why the amounts involved are generally very small—a few hundreds.

1143. Q.—There is reason for thinking that the habit of tampering with the station records continued for not more than three months ?

Mr. Philipe.—Yes.

1144. *Chairman.*—Have you anything to say on paragraph 66 ?

Mr. Sim.—No, except this that we are taking up the whole question. They have recently asked us for an extension of this system and we said that so far from considering any extension of it, in view of these troubles we were not quite prepared to consider that the present system should continue.

1145. *Dr. Lohokare.*—The fare has not been received from the officer ?

A.—No, I do not know what happened to the officer.

1146. *Q.*—Is he in service yet ?

A.—I am not quite certain. These cases refer to officers demobilised. It is getting very much less now.

1147. *Q.*—How was the fraud committed ?

A.—Credit notes were issued to persons not entitled to them or issued to more people than should come under them and various other matters of that kind.

1148. *Chairman.*—The amount has not been recovered ?

A.—No, I think the officer must have gone.

1149. *Mr. Iyengar.*—Paragraph 75. There was also recently an instance of theft in the O. & R. Railway ?

A.—I know. I do not think that any action we can take can stop dacoities.

1150. *Q.*—Certainly you can take precautions ? I want to know whether it is irremediable ? You can never prevent dacoities but you can minimise them ?

A.—By offering less temptations as regards railway cash ? We are trying to do as far as possible in that direction—to whatever we could get the Controller of Currency to agree to take remittance direct into treasuries.